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CONTENTS

ENERGY ECONOMICS

NORWAY

- Norsk Hydro, Statoil Continue To Lead Industry
(Bjorn H. Tretvoll; AFTENPOSTEN, 3 Sep 83) 1
- Briefs
Offshore Industry in Upswing 4

ECONOMIC

BELGIUM

- Financial Experts Criticize Proposed 1984 Budget
(Janine Claeys, et al.; LE SOIR, various dates) 5

DENMARK

- Danish-Soviet Commission Seeks To Increase Sales to USSR
(Jens Trudso; BERLINGSKE TIDENDE, 20 Aug 83) 14
- Agricultural Income Increases Over 1982 Figure
(Ib Christensen; BERLINGSKE TIDENDE, 20 Aug 83) 15
- Electronics Industry Seeking New Technology for Survival
(Erik Bendt Rasmussen; BERLINGSKE TIDENDE, 30 Aug 83) 18
- Lack of Venture Capital Cited as Factor in Business Decline
(Frank Dahlgaard; BERLINGSKE TIDENDE, 20 Aug 83) 20

FEDERAL REPUBLIC OF GERMANY

- Prospects for Various Branches of Economy
(Dankward Seitz; DIE WELT, 19 Aug 83) 24

ICELAND

- Strengthened U. S. Dollar Helping Country's Trade Balance
(MORGUNBLADID, 23 Aug 83) 29

POLITICAL

DENMARK

- Glistrup Tightens Reins Over Progressives as His Foes Quit
(Lisbeth Knudsen; BERLINGSKE TIDENDE, 20 Aug 83) 30

FINLAND

- Newspaper Decries 'Hysteria' in Reaction To Downing of Plane
(Editorial; HELSINGIN SANOMAT, 3 Sep 83) 32
- Country's Leading Paper Opposes Boycott by Airline Pilots
(Editorial; HELSINGIN SANOMAT, 9 Sep 83) 34
- Conservatives, Communists Urge Support for SWAPO
(HELSINGIN SANOMAT, 2 Sep 83) 36
- SKDL Leaders Discuss Front's Goals With Eurocommunist Organ
(Maija Aalto; KANSAN UUTISET, 13 Aug 83) 38

GREECE

- Reported Changes in Ministerial, Other Positions
(TO VIMA TIS KYRIAKIS, 28 Aug 83) 43
- Briefs
Secret Document Leaked 45

ICELAND

- Paper Criticizes Progressives' Foreign Affairs Expert on TF
(Editorial; MORGUNBLADID, 23 Aug 83) 46

ITALY

- PSI's Boniver Discusses Party's Foreign Policy
(Margherita Boniver Interview; POLITICA INTERNAZIONALE,
Jun 83) 48

PORTUGAL

- October Seen Witnessing PCP Political Offensive
(Jose Castelo; DIARIO DE NOTICIAS, 2 Sep 83) 56

SWEDEN

Local Press Attacks Downing of Korean Jet Liner (Various sources, various dates)	60
Swedish Passenger Onboard, by Mats Carlbom, et al. Liberal Paper Comments, by Olof Santesson Conservative Paper Comments, Editorial. Palme Condemns Shooting	
USSR Urged To Show More Contriteness After Plane Downing (Editorial, Olof Santesson; DAGENS NYHETER, 7 Sep 83)	64
Paper Defends Government's Stand on Sanctions Against USSR (Editorial, Per Jonsson; DAGENS NYHETER, 9 Sep 83)	66

MILITARY

PORTUGAL

Azorean Commission on Ceding Continental Bases to U.S. (DIARIO DE NOTICIAS, 14 Aug 83)	67
-------------------------------------------------------------------------------------------------	----

ENVIRONMENTAL QUALITY

FINLAND

Domestic Hazardous-Waste Treatment Firm To Process PCB's (HELSINGIN SANOMAT, 2 Sep 83)	69
-------------------------------------------------------------------------------------------------	----

NORWAY

New Regulation Goes Into Effect To Limit Lead in Gasoline (Are Wormnes; AFTENPOSTEN, 23 Aug 83)	70
----------------------------------------------------------------------------------------------------------	----

NORSK HYDRO, STATOIL CONTINUE TO LEAD INDUSTRY

Oslo AFTENPOSTEN in Norwegian 3 Sep 83 p 5

[Article by Bjorn H. Tretvoll: "Hydro Still the Country's Largest Industrial Firm"]

[Text] Oil activity in the North Sea has created strong growth in both Norsk Hydro and Statoil in recent years. The two Norwegian industrial giants have strengthened their positions as the dominant firms within Norwegian industry. In spite of Statoil's large increase in sales during recent years, it appears that Hydro will hold its position as Norway's largest industrial firm, in any case until 1986.

Norsk Hydro expects sales this year to reach 25 billion kroner, while total sales during fiscal year 1979/80 were 14.1 billion kroner. Oil and gas extraction in the North Sea, which Hydro participated in from a very early date, explains a part of this increase.

But Hydro has also conducted an active policy intended to strengthen its position along its more traditional lines through buying up other firms, primarily abroad. In the fertilizer sector Hydro has invested billions to buy factories in Netherlands, Sweden and Great Britain, and has thereby become one of the world's largest producers. In the petrochemical sector Hydro has chosen to specialize in the production of the plastic substance PVC. By buying a couple of PCV factories in Great Britain, and the planned purchase of a Swedish PVC producer, the company is on the way to an important position in the European market for that product.

A significant factor behind Hydro's increase of about 40 percent to 13.7 billion kroner in the first 6 months of this year is the purchase of 2 percent of the shares of the Danish trading company Korn- og Foderstof Kompagniet (KFK). This 2 percent brought Hydro's ownership shares from 49 to 51 percent, and resulted in KFK now being consolidated in Hydro's business accounts. Hydro assured itself of a share of 49 percent a number of years ago after a hard tug of war with the Danish fertilizer producer Superfos.

On the other hand Statoil's growth is directly related to oil activity, mainly the development of production at the Statfjord field. In spite of the international oil price decline this year, increased production and favorable development in the dollar rate has led to an increase in sales for Statoil also this year. In the first 6 months sales increased to 12.8 billion kroner, an increase of over 60 percent compared to the year before.

Slower Growth

But the growth of the company in the near future years appears to be much lower if there are not dramatic changes in oil prices or the dollar rate. The Statfjord field produces now about as much as the two platforms can manage. No significant increase can be expected before the Statfjord C platform comes into production, which is planned for December 1985. Then Gullfaks A is planned to come into production in 1987, bringing new growth to the state oil company.

Hydro's growth in the near future years will depend on developments in land-based activities. Oil production at Ekofisk shows a falling tendency, while the company's gas production will largely maintain an even level in the immediate future. In the oil sector it will be Gullfaks, Oseberg and Sleipner which at the end of the 1980's and into the 1990's will cause the falling tendency in Hydro's oil and gas production to again turn up.

The planned purchase of Swedish Kema-Nobel's PVC production can mean a sales increase of 400-500 million kroner per year for Hydro. Better times for aluminum and petrochemical activity, plus the solid position of the firm in fertilizer, will also contribute to continued growth. Naturally Hydro does not announce its contemplated new purchases of businesses, but it should be expected that the firm will continue the strategy followed previously, buying new companies in its special fields.

These circumstances should enable Hydro to hold its position as the largest firm in the country in the immediate future years. If Statoil is to be larger, it will be necessary to have a strong increase in oil prices or buying up of new firms by Statoil. In that connection, both the taking over of Saga Petrokjemis shares in the Bamble installations and the purchase of marketing companies for oil products abroad are ongoing projects.

But even if these two companies are almost too large to consider as Norwegian-- Hydro is more than three times as large as the third largest industrial firm-- both are small in terms of international companies. The American journal FORTUNE recently published a list of the biggest firms outside the United States in 1982. Hydro was nr. 151, and Statoil was nr. 177. The largest industrial firm in the Nordic countries, Volvo, was nr. 32, with sales which were almost four times as large as Hydro's

There is a certain prestige in being able to bear the title of "biggest firm in the country," but the profits of the firm are more important than the

growth of sales. With improvement in petrochemicals, aluminum and probably also fertilizer, there will probably be a clear increase in profits for Hydro next year.

But the company's profits in relation to the invested capital will still not be especially high.

As for Statoil, they expect a decline in profits after taxes in 1984. Increased exploration expenses and new investment projects will appear on the cost side, without any dramatic increases in income. The situation in 1985 will hardly be especially different than in 1984, unless oil prices again rise drastically.

With the income which Statoil can expect from the still undeveloped oil and gas fields where the company has large owner shares, the company will have a new strong growth period in the 1990's. Gullfaks will be the first new field which comes into production. Statoil owns 85 percent here. Later comes Oseberg, and probably also the Sleipner gas field. In the 1990's production will come from the enormous Troll gas field, if everything goes as planned. Here Statoil has a share of 85 percent in three of the four blocks.

Hydro is also participating in several of these fields, but its share is much smaller. Hydro has nine percent in Gullfaks, and the company has a corresponding share in three of the Troll blocks.

Everything therefore points in the direction of a much stronger growth for Statoil than for Hydro, such that toward the end of the 1980's there will be a tendency toward a shift at the top of the list of Norway's largest firms. An important element of uncertainty in this connection is to what extent the recommendation of the Mellbye Committee for reduced block shares for Statoil will be carried out.

9287

CSO: 3639/167

BRIEFS

OFFSHORE INDUSTRY IN UPSWING --The five Fred Olsen companies with their daughter companies had a positive result in the first 6 months because of offshore activity. The provisional result before contingencies was 161 million kroner. The result for the same 6 months of 1982 was 172 million. The total result for 1983 is uncertain because of unrealized exchange loss. [Text] [Oslo AFTENPOSTEN in Norwegian 3 Sep 83 p 21] 9287

CSO: 3639/167

FINANCIAL EXPERTS CRITICIZE PROPOSED 1984 BUDGET

Brussels LE SOIR in French 11, 12 Aug 83

[Article by Janine Claeys, M.-Fr. Holemans and Pierre Lefevre]

[11 Aug 83 p 2]

[Text] While the government effected savings totaling 126.4 billion in its draft budget for 1984, it still shows a deficit of about 500 billion, or 11.5 percent of the gross national product. That is a great deal. Is it too much, since what is wanted is to master deflation and to launch the economy again? This is the first question we asked of Philippe Defeyt and Jef Vuchelen.

Their answers did not stop with these few figures. The two economists seek a basis for their criticism in the very nature of this budget, much more than in the amounts it involves. They recognize, however, that this time the government has made an effort at sincerity and that the figure set forth corresponds in general terms to what might be expected. But this is one of the few virtues for which they give the government credit.

[Question] Does the draft 1984 budget seem to you too, as Mr Maystadt said, to avoid the deflationary threat?

Jef Vuchelen: A budget showing a deficit of 500 billion might at first glance seem the opposite of a deflationary budget. But from another point of view, such a deficit must be financed, and it cannot be financed by domestic savings. Thus there is room for discussion of the deflationary aspect of the government proposal.

Be that as it may, a deficit of this size is much too high. Two years ago, it was a question of a deficit of 455 billion, last year of 510 billion, and this year 530 or 540, and even perhaps 570 or 580 billion. Whatever the case, we remain in the neighborhood of 500 billion. Much effort is being made. These efforts are in fact deflationary. But the results, for their part, are not improving.

Philippe Defeyt: It is not the size of the deficit which is most important, but rather its development. Now in developmental terms, there is no deflation, for the deficit is, if we can put it that way, moderate. But it is a

fact that the general policy is deflationary in the realm of wage income, with the catastrophic effects to which that might lead, especially on consumption.

As to the financing of the deficit, the government should have asked itself "Is it possible to have a less deflationary policy, while at the same time resolving the debt problem?" This would have been difficult, but possible.

Neither Selectivity Nor Philosophy

On the other hand, a firm guideline should have been selected for public expenditures. This was not done. What was necessary was to eliminate such expenditures as Zeebrugge or the highways and to promote new investments which truly create wealth. Thus the policy would have been less deflationary, and also more positive for employment, while at the same time making it possible to resolve the debt problem in time.

It was in addition necessary to be more selective. For example, in the realm of aid to industry, the measures adopted cover the whole range indiscriminately. The same is true for the wage amendment and the Monory-De Clercq laws. I believe that these latter basically benefit the sectors with the least need for aid. For example, was it necessary to offer the Intercom and Electobel shares an advantage? If there had been greater selectivity in dispensing advantages, the results might have been better oriented toward industry itself.

Jef Vuchelen: I expected more of this 1984 budget, and I am disappointed. It must be said that almost nothing was done when it comes to basic financial rehabilitation. The investment policy is but one factor therein, but I am with you on the Zeebrugge matter, which I believe was a monstrous error. All of this should be immediately halted, and it should be made into a place for schoolchildren to visit, like the Ronquieres ramp. Thus I am in agreement with Mr Defeyt where the investment expenditures are concerned, but I would also like to note that financial recovery involves not only cutting expenditures, but is a whole philosophy. Now there is no philosophy behind this budget.

Philippe Defeyt: It is true that it is not a matter of public investments alone. My reasoning is equally applicable to other expenditures. For example in the realm of medical costs, things are done blindly. A goal is set without examining the content sufficiently. For as long as no approach is made to the basis of the problem, nothing will be achieved. You see laboratories saving themselves, when restrictions are imposed on them, by multiplying the number of technical activities. In fact there is a focus on magic figures which are made public, but there is no reflection about how the decisions will be applied.

Afraid To Do More

[Question] Do the political conditions making it possible to do otherwise exist?

Jef Vuchelen: I see no alternative in political terms. Look at the plan of the SP [Socialist Party]. In my view, it is not a defensible alternative.

[Question] But is this coalition itself in a position to generate a real budget philosophy?

Jef Vuchelen: Let us not lose sight of the fact that the left wing of the PSC [Christian Social Party] and the CVP is an important element. I personally believe that the government did not dare to go farther because to date, there has been no determining proof that it was moving in the right direction. If in 1984 and 1985, certain results could be perceived, for example, in the realm of unemployment, the balance of payments or competitive capacity (which, moreover, is beginning), that would be an indication that the policy pursued has produced results, and the government in office could continue its work. Then a more basic rehabilitation would become possible.

Look at the PVV. It has a specific program, but it cannot be implemented now because of the coalition. My conclusion would then be that there is not, for the time being, any means of doing more. Just as in 1982 and 1983, one must be content with avoiding deterioration. This is what is called a survival budget.

Philippe Deyfet: While you say "the government did not dare to do more," I would say rather "it did not dare to do better." I for my part am less optimistic than the government as to the results of its policy for the present and the future. It is said that unemployment is stabilizing, but one is then forgetting the other categories of job seekers. In terms of value, investments are declining, and they are being made ever increasingly in the non-industrial sectors, which does not represent success in relation to the goals set. The decline in employment between June 1982 and June 1983 affected 40,000 individuals, and it is not at an end, because investments are very often made in the direction of rationalizing tools. The civil service is not doing so well either. And the trade balance? It improved last year. But this improvement is slight and fragile, and if there is not a rapid reorientation of exports, the trend will come to a halt. With all this, I fear difficulty in making a better choice later.

Uncertainties Remain

Jef Vuchelen: Nothing as yet enables one to say if the steps taken by Martens V are a success or a failure. To do so it will be necessary to wait a year or two more. On investments, agreed: they are not working. The government has done its best for the enterprises, too much in some cases, and now the moment has come to ask why they have not reacted. Might it not be that the steps taken had immediate effects, but none affecting investors' psychology? These people, we must not forget, think in long-range terms. And the government does not do what it should to reduce the uncertainties. In the social security sector, for example, a reform plan was needed. Now all we have is uncertainties.

Philippe Defeyt: Where investments are concerned, the banks are important, but the world of industry is also. Now all of the governments of the Western countries are pursuing a deflationary policy, and there is no concerted recovery. The demand policy is thus too weak, and there is little chance of recovery in the manufacturing system for as long as this remains unchanged.

Jef Vuchelen: I agree that uncertainty is increasing in the realm of international conjecture, but the government is not responsible for the situation you describe.

Philippe Defeyt: It should nonetheless have been able to try harder. And above all, once again, it should have been more selective, rather than placing shares and bonds of all kinds, whether or not from the industrial sector, on the same footing when it was trying to encourage investments. In addition, if the psychological conditions had been met, productive investments would have been favored.

Jef Vuchelen: Yes. Moreover, the government chose the asymmetric path. It did a great deal on the side of income and taxation, which is easy, but it was much less active on the public expenditure side. I am wondering also about the timeliness of certain decisions made in the "income" column. For example, to what results will the Monory-De Clercq law lead if not to higher quotations on the Brussels Stock Exchange? A very dynamic impression is given by providing tax advantages, but this has its cost. It is absolutely necessary to question the profitability of these measures. Would it not have been preferable, for example, to grant a supplementary tax reduction to companies?

Tax Advantages in All Directions

Philippe Defeyt: I am asking myself the same question. And I also wonder what is the proper way of granting tax advantages. Should it be done as a function of peoples' income? The size of their houses? And then, are the roots of the evil being attacked? For example, in the construction sector, I believe that there will be no recovery, despite the advantages offered to buyers, for as long as the problem of unemployment remains this acute.

Jef Vuchelen: Hasn't the government even done too much? And in view of the gravity of the crisis, was it timely to promote investment in real estate? Such investment is only productive at the time of construction, and not afterward. With the financial problems Belgium is experiencing, was it wise to use money in such a way as to be able to say "borrow, and you will have a house," instead of saying "save, and buy stocks?"

Philippe Defeyt: Note moreover that there is talk of aid for construction in general, and not aid for housing. I am not against aid for housing, but the problem is mainly improving existing housing, by means of insulation, among other things. This has a greater and more prolonged impact on industry.

Jef Vuchelen: In short, the government has not made real choices and has not embarked upon real reorganization. This budget comes as a logical consequence

of that preceding it. It gives no indication as to the future. The next budget, that for 1985, will be drafted during an electoral period. The government missed its chance to alter the long-term policy.

Philippe Defeyt: I agree with you. And I do not expect a long-term recovery program. As to the 800 billion in investment expenditures made since 1975, on which interest must be paid, they have been oriented for the most part, since the beginning of the crisis, toward expenditures which are not productive enough.

Jef Vuchelen: I personally believe that it is necessary to deal with it more drastically. Following the drafting of the 1984 budget, people have the impression that a tremendous effort is being asked of them. Now the deficit remains. Is there a way to demand an effort of Belgian citizens over a period of years? I think that a greater reduction should have been effected all at once.

Philippe Defeyt: Where I am concerned, I see alternatives to the government policy. It is necessary to reduce labor time and to accompany this step with a wage effort. I believe that the majority of the citizens of Belgium might agree.

Jef Vuchelen: I agree too if it is a question of an enterprise decision, and thus on the local level, but not if it is a matter of a general measure to be imposed.

Philippe Defeyt: It would be better if it were a general measure, with possible adjustments for each enterprise. In a second direction, public investments should be reoriented. We have discussed this. And, finally, a major effort should be made in the energy sector, and also, more widely, to effect serious economies in all raw materials.

Several Billion Due to Optimism

[Question] Finally, do you think that the draft submitted is a true budget?

Philippe Defeyt: For once, the figures seem reasonable. And the government has not counted on a rate of growth in excess of that predicted by the specialized institutes. However, I think that there will be supplementary expenditures for unemployment and the social sector in general, as well as for the national sectors. On the income side, the estimates seem realistic, setting aside an underestimate for the 1983 base. In all, I believe that the deficit predicted is less than it will in fact be.

Jef Vuchelen: There is a slight underestimate where expenditures are concerned. As to income, there are too few factors available to make a judgment.

Philippe Defeyt: The measures announced still have to be implemented in fact. Now it rarely happens that everything announced comes about.

Jef Vuchelen: And then, there could be some "skeletons" here, like last time (editor's note--reference to the late discovery of sums committed). The 1983 budget revision effected in March led to an additional deficit of \$50 billion. It would be surprising if the next revision were to yield a smaller supplement.

[12 August 83 p 2]

[Text] In earlier editions, Jef Vuchelen (professor at the VUB) and Philippe Defeyt (researcher at the UCL [Catholic University of Louvain]), both economists specializing in public finance, set forth for us their overall analysis of the draft 1984 budget which, let us recall, seemed to them rather disappointing and lacking any philosophy. Today we are carrying their detailed analysis of the principal measures adopted by the government. These two economists made a point of specifying, prior to any explanation, that the reductions in expenditures proposed are rather vague. They are vague in the formulation of the steps to be taken (some rough figures were set forth, but they are not systematically broken down by sector), and they are vague in the estimate of what these measures may yield. Philippe Defeyt also expressed doubt as to how exacting the ministers were in their analysis of the effects of the various measures. He has wondered if the adverse effect of savings (which always have an effect, whether in the sector directly involved or in other departments) were taken properly into account.

We asked them first of all what they thought about the increase in the advance deduction of 25 percent on stocks and shares and its effect on legal tender, in terms of efficiency.

Jef Vuchelen: It is impossible to establish the overall effect this measure will have. One of the immediate effects will certainly be a rise in interest rates, but it is difficult to see what will happen where capital movement is concerned. This may resolve a moral problem for some people, who would prefer to pay 25 percent rather than "transfer" their money abroad, but I do not however believe that the measure will bring capital back into Belgium. Above all, the advance deduction in full discharge is of interest for people who declare their total income and whose taxes will thus be substantially reduced. Those who have bought bonds in the past and who feel that they are being taken will realize that in real terms (because of a drop in inflation and an increase of only 5 percent on a small sum), nothing has really changed.

Philippe Defeyt: I also believe that an increase in short-term interest rates is obvious: in order to maintain the same net income from dividends (on which an additional 5 percent has been imposed), the market will demand an increase in the overall interest rate.

Where the moral aspect of the measure is concerned, one can conclude that there will be a higher official tax on income from labor than on income from capital. I am however prepared to put this concern on hold for the moment. After all, all that is being done is to rubber-stamp a de facto situation, to wit, fraud. Until there is a European consensus on this subject on the level

of treatment of income from stocks and shares and capital, Belgium will not find an individual response to this problem.

When it comes to efficiency, I think that the majority of the people do not declare their income from stocks and bonds, and that if they have placed their money abroad, it has been simply due to the difference in the amount of the advance deduction. As they do not declare this income in any case, the situation will in no way change. The effect of the measure will thus be in the direction of a slowdown of the rate of capital return instead.

Amnesty and the People's Confidence

[Question] Do you think that the tax amnesty will lead to discounted investments?

Jef Vuchelen: The question is whether people will have confidence in the legislative measures. Amnesty is probable but the problem will involve subsequent defense of the "bandit" where the Ministry of Finance official is concerned. Many people calculate that in a few years' time and thanks to land survey income, the tax inspector realizes that one has lied to him, he will be substantially less finicky about the rest of the tax declaration. This is a psychological factor which must not be ignored. Thus for construction, the amnesty will have little effect. Where investments are concerned, greater subtlety is needed: here, in addition to the tax aspect, the uncertainty and demand factors enter into it.

Philippe Defeyt: I think that the measure will not have any impact on housing. Those who have money already have their homes, and in terms of the building of housing for rental purposes, their money is better placed elsewhere. I would be more categorical than my colleague on the subject of industrial development. Those who have enough money for the purpose can also earn more income abroad.

Jef Vuchelen: Everything depends on where the money comes from. If it is money which is in Belgium, being kept "under the mattress," it will be reintegrated in the economic circuit. If it is money placed in a bank abroad, under a fictitious name, that money is already being used in the economic circuit. If the individual puts it into the building of a house, it will not be used elsewhere. For the money which is abroad in foreign exchange, will it be converted back into Belgian francs because of the amnesty? It is very doubtful. The uncertainty as to the followup of these measures if the government falls also limits the impact of the tax amnesty. Finally, the unpopularity of the measure cancels out its effects.

Inadequate Provisions for Dependent Children

[Question] How do you view the compensatory tax measures adopted to benefit the lower income level: rebates on taxes for dependent children, reduction in the deductions from family allocations, etc.?

Philippe Defeyt: The problem of families with dependent children is basic. The deduction remains, although it is reduced, and it is anti-redistributional. To deduct the same sum for everyone, whatever the income level, is not morally defensible. On the other hand, it seems that the measure provides compensation offered to social Christian families, but it does not in itself resolve the problem of those who have dependent children. If the purpose is to protect the lower- and middle-income levels, the measure is clearly inadequate.

Social Inconsistency

[Question] Social expenditures are up 6.4 percent, including expenditures related to unemployment. Can you comment on the social measures package, including among other things a limit on accumulated replacement income, taxation of vacation savings, restrictions in the unemployment and sickness and disability insurance sectors, and an increase in various assessments?

Jef Vuchelen: There is no philosophy behind all of these measures, and no plan for overall financial reorganization. This is the very bad aspect of the budget. In the pension sector, for example, no basic position is adopted on what a pension is. Does it represent the repayment of contributions made? As there is no guarantee, doubt is created about the whole system. People reaching their 50s or 60s are worried and will save more, and this will have an effect on consumption. The situation is the same where unemployment is concerned. Therefore, a basic question must be asked: shouldn't all of social security be a fiscal matter (editor's note--financing out of taxes rather than social security contributions)?

Philippe Defeyt: One can criticize the limited credibility of the measures announced, which have not been detailed and which are likely to have adverse effects. On the other hand, a certain inconsistency prevails in the statements (liberal, in this case) on the income considered. For taxes, there is implicit reference to the individual unit, while for social security, and unemployment compensation in particular, the whole of the family income is taken into account. Clarity and a political debate are needed.

Too Many Statutes

A third important point: with all the marginal measures, the end result is an inconsistent situation. People with the same level of income will no longer be treated in the same way from a fiscal point of view. We have fully become a dual society. The multiplicity of statutes makes things incomprehensible, but unjust as well. This is also a hindrance to mobility.

From the point of view of social security, the problem is not however so much a matter of taxation techniques. It is necessary to continue in the direction of reducing labor time, and another kind of income distribution is necessary. However above all what is needed is an understanding of the income distribution map. The measures as a whole have been approved without an understanding of this reality, and of the impact each measure will have on income distribution.

Offices and Officials

Jef Vuchelen: The ministerial offices are also responsible for this inertia, because everyone, in drafting decisions, takes his own situation and his personal interests into account.

[Question] Do the measures pertaining to the civil service seem to you more normal?

Jef Vuchelen: It is rather clear that the government employees are affected by the recent measures. I believe that more competition is needed for the higher jobs in the civil service, because of the fact that they are at present the result of political appointments, and there is always a battle among the parties to win them for themselves. As there is never a lack of candidates, let us reduce the salaries and see what happens. The quality of civil servants is a hypocritical argument against reducing salaries.

Philippe Defeyt: The political balancing process does not worry me provided that it occurs at the time of final selection, after competence has been tested or after each candidate has demonstrated his aptitude by means of a curriculum vitae.

No Selectivity in Education

[Question] What do you think, finally, about the various measures pertaining to national education?

Philippe Defeyt: First of all, on the university level, we see that the level has been lowered, without selectivity. For example, personnel are allowed to retire on pensions whether or not they have been employed in efficient units. Secondly, I am against the holding of multiple posts and I favor labor time sharing within the teaching body. Thirdly, a problem of inconsistency has developed again in connection with the ONEM [National Employment Office] apprentices. When a minister establishes a need, teachers with a status which leads to psychological and financial deterioration are appointed, instead of letting the normal hiring criteria function.

Jef Vuchelen: Conclusions are never drawn from the demographic effects and no choices are made to lower the norms. One of the great problems in education is that the higher schools are continuing to produce teachers, leading to tremendous unemployment. In one way or another, the government should have slowed this production at the course selection stage, among other things by warning that unemployment compensation would not be granted to teachers failing to find work on completion of their studies. Society cannot continue to allocate resources for enabling people to acquire qualification when it is known at the outset that they will not find work. Education is a sector in which one can undertake perfect planning based on demographic data. It does after all take children 6 years to reach school age.

DANISH-SOVIET COMMISSION SEEKS TO INCREASE SALES TO USSR

Copenhagen BERLINGSKE TIDENDE in Danish 20 Aug 83 Sec III p 1

[Article by Jens Trudso]

[Text] An effort will now be made to change the very uneven trade balance between Denmark and the Soviet Union. The trade agreements favor the USSR. A Danish-Soviet delegation will start holding meetings in Copenhagen today and there will be visits to a number of Danish firms, including shipyards.

This is the 13th time the Danish-Soviet Commission for Economic and Technical Cooperation has met. This year agriculture and the food industry are in the foreground, according to the commission's chairman, director Jens M. Barfoed.

He said that the program is specially arranged to place major emphasis on studying the possibilities for Danish deliveries to the Soviet Union in connection with the Russian food programs up to 1990.

A Danish-Soviet expert group will be formed with representatives of around 50 Danish firms. This group will deal specifically with the food industry.

The commission, which has 52 members (28 Soviet and 24 Danish), will also visit a number of Danish shipyards: Nakskov Shipyard, Odense Steel Shipyard, Frederikshavn Shipyard, Aalborg Shipyard. The B&W shipyard and the Ship Technology Laboratory in Lyngby.

The other visits to firms will include such things as the sugar factories in Nakskov, F. L. Smidth, Aarhus Oliefabrik, Dronningborg Machine Shop and Danish dairies. The meetings and visits to firms will start today and end on Saturday.

6578

CSO: 3613/191

AGRICULTURAL INCOME INCREASES OVER 1982 FIGURE

Copenhagen BERLINGSKE TIDENDE in Danish 20 Aug 83 Sec III p 2

[Article by Ib Christensen]

[Text] The sharp increase in farm income in the last 2 years, which has roughly doubled the income of farm families to around 130,000 kroner a year for a husband and wife in the average typical farm family, has come to an end. In the future, farmers must adjust themselves to substantially smaller increases--or none at all.

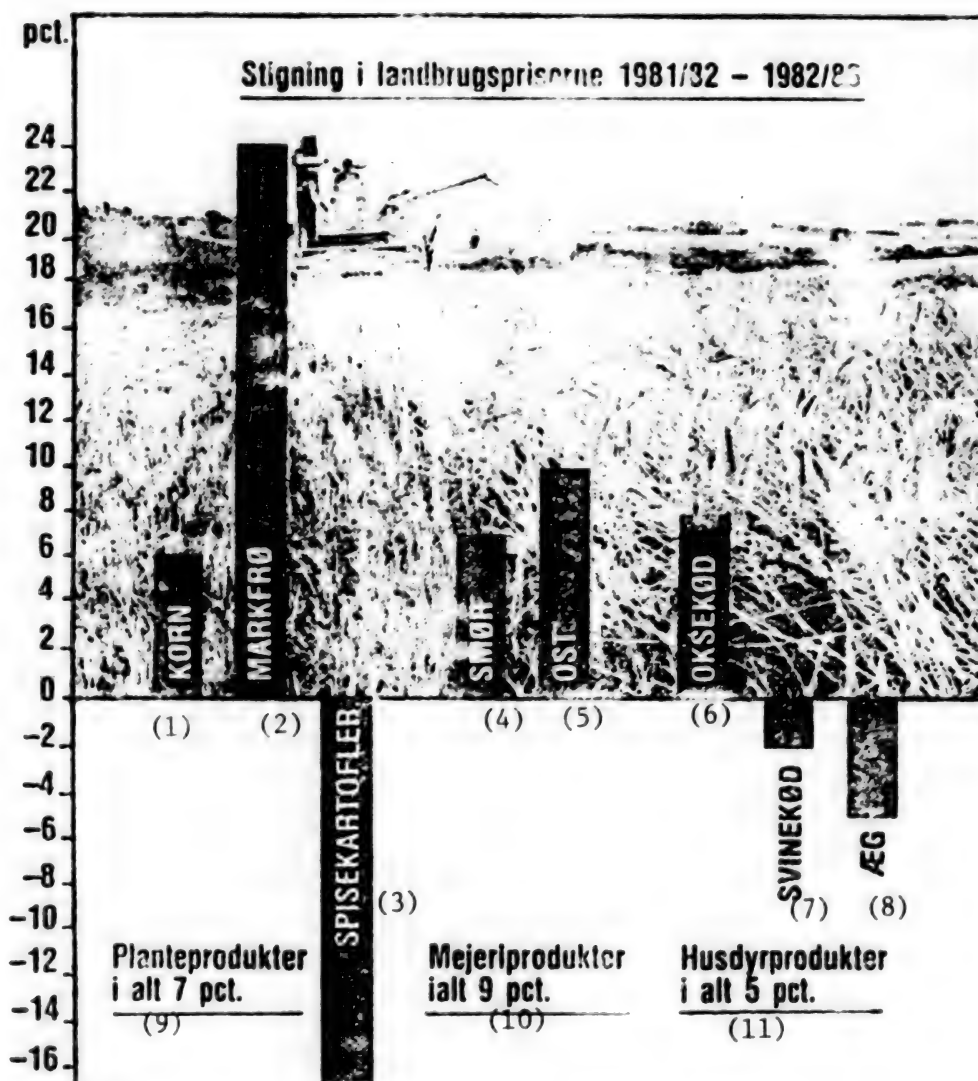
That was determined by the Institute of Farm Economics which has prepared a new analysis of price developments in the last few harvest years. It shows that, as was the case last year, agriculture experienced a moderate price development in both production and the means of production. Prices for the raw materials farmers use in production rose 6 percent and food prices rose 5 percent.

The head of the Institute of Farm Economics, Arne Larsen, told BERLINGSKE TIDENDE that the strong price development was a reaction to the very low incomes the branch had in 1981 and was given a good boost by the record 1982 harvest.

Now, on the contrary, agriculture can look forward to a poor harvest; it has experienced a negative price development as a result of hoof-and-mouth disease and the rising problems of overproduction of food products around the entire western world. The only chance farmers now have of correcting their incomes in spite of the decline in interest rates and the stagnating inflation is to further rationalize their operations, in the view of Arne Larsen, who fears that the income curve will start heading downward once again.

Record Harvest Helped

Half of the advance in farm income for the 1982-83 operating year despite the rising price of raw materials is due to the big record harvest in 1982, but if the effect of interest expenses, taxes, depreciations and subsidies is included, the effect is also positive.



Increase in Farm Prices, 1981/82-1982/83

Farmers received 5 percent more for their products in the harvest year of 1982/83. The height of the columns indicates the increase in individual products sold by farmers. As shown, dairy products rose most, followed by plant products. The record harvest last year contributed more than half of the extra earnings made by farm families last year. As shown, the price of table potatoes fell by a sizable 17 percent.

Key:

- | | |
|-------------------|------------------------------------------------|
| 1. Grain | 7. Pork |
| 2. Field seeds | 8. Eggs |
| 3. Table potatoes | 9. Plant products, 7 percent in all |
| 4. Butter | 10. Dairy products, 9 percent in all |
| 5. Cheese | 11. Domestic animal products, 5 percent in all |
| 6. Beef | |

In the past year farmers received 6 percent more for their grain and if all plant products are included, the increase was 7 percent, but with big variations. While sugar beet growers got 14 percent more from the Danish Sugar Factories, farmers who raised table potatoes experienced a dip of a whopping 17 percent.

Milk products brought in 9 percent more, divided up into a 7 percent increase for butter and 9 percent for cheese. Pork and poultry products fell 2 percent in price while beef and veal rose 8 percent. Property taxes fell 18 percent following changes in state assessments. On the other hand it became 12 percent more expensive to invest in buildings, inventory and improvements while wages for labor rose 10 percent.

Arne Larsen: "Price developments in recent months have gone against agriculture. Product prices have fallen somewhat while factor prices continue to rise evenly.

"One can safely say that the strong upward trend we have seen in farm incomes in the last 2 years has been broken but it is too early to say yet whether the total effect of the harvest plus price developments will lead to a direct decline in 1983-84," said Arne Larsen, who does not share the view that price increases in EC have been too small.

"We must recall that the 4 percent increase envisaged by the EC price determination is not a low one when we look forward to an inflation rate that might fall below 5 percent, since there will probably be an increase of productivity in agriculture amounting to 1.5-2 percent."

6578

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ELECTRONICS INDUSTRY SEEKING NEW TECHNOLOGY FOR SURVIVAL

Copenhagen BERLINGSKE TIDENDE in Danish 30 Aug 83 Sec II p 6

[Article by Erik Bendt Rasmussen]

[Text] Large sectors of the otherwise expansive Danish electronics industry are threatened with a decline.

As time goes by, the old technology is so well-known that all electronics engineers can be manufacturers and well-known products can be produced cheaply in Asia. It is easy to buy the components and the labor force does not need much prior training. Only the branches of the Danish electronics industry that go in for high technology have a chance to survive.

This can be read between the lines of a report directed toward the future, "Technological Developments in the Electronics Sector," issued by the Electronics Center (a public institution). The report was intended for internal use, but it contains such serious prospects that it is now being issued to the public.

International developments in the electronics industry are so rapid today that the so-called niches for the Danish electronics industry are constantly being reduced, it is said. And in fact it is these many niches that the Danish electronics industry has made a good living from in the past. Within the next 2 or 3 years a number of new electronic breakthroughs will become available to the industry--and the Danish electronics industry runs the risk of losing ground if these superior technologies are adopted too late, the Electronics Center added.

Future of the Industry

The report was prepared for the Electronics Center by the English consultant firm, Systec Consultants, Ltd. And conclusions from the report were drawn by the Electronics Center in cooperation with a working group from the Danish electronics industry.

The working group said that to prevent the Danish electronics industry from losing ground a centralized effort will be needed in cooperation with the

Electronics Center to map out and investigate the new technology's relevance and applicability in this country.

The report deals with the current status and development trends of 10 key technologies. The report indicates which areas will have a future for the Danish electronics industry. It says of software (data programs): "The activity area that represents the biggest economic potential for Danish industry 5 to 10 years in the future."

Another area that will have a breakthrough in the next 5 years is computer-assisted design and production (CAD/CAM). At the moment, computer-assisted production is most widespread in connection with such things as machines that manufacture machine parts.

An area that was indicated as a possibility is "Human Associated Computer Technology." The English name covers talking and listening measurement instruments, seeing robots and machines that can translate from one language to another. This area is called vital. One of the members of the working group called the area the most important because Denmark runs an incalculable risk of being overrun in this area.

"Artificial intelligence" will be commercially available within 2-3 years. And after that we could experience an almost explosive development.

An intensified effort is recommended in the development of fiberoptic cable technology, both senders and receivers, since in this area Denmark is up against strong international competition.

Pessimism in Europe

Things are going poorly for the European electronics industry in general. It is not just the Danish industry for which the alarm is being sounded.

Last week two European conferences were held for top electronics leaders. The one in Monte Carlo dealt with innovation, while the one in London concerned Europe's future as an electronics area. It was widely held at both conferences that the electronics industry bore signs of being an outmoded sector with a lack of new ideas in the area of high technology, poor investment in research and development, a lack of risk capital and good environments for industrial training. These main points were made by Carlo de Benedetti of Olivetti and van der Klugt of Philips and it must be presumed that the two would know what they are talking about.

The Electronics Center's report, which is 285 pages long, costs 150 kroner plus the value-added tax and it is the product of an effort costing about 800,000 kroner, including the fee paid to the English consulting firm.

About 20 leaders from the Danish electronics industry put in several days together--without compensation--for the purpose of reviewing the consulting firm's report and reaching conclusions for the domestic branch.

6578

CSO: 3613/191

LACK OF VENTURE CAPITAL CITED AS FACTOR IN BUSINESS DECLINE

Copenhagen BERLINGSKE TIDENDE in Danish 20 Aug 83 Sec III p 2

[Commentary by Frank Dahlgaard]

[Text] The number of starts and new firms in Denmark is small and one of the reasons is the lack of venture capital.

At this time one can read regular reports in the newspapers of big or medium-sized firms that are celebrating their 50th anniversaries.

That is thought-provoking.

For these firms were started during the economic crisis of the 1930's--a crisis that was much harder and more merciless than the crisis we are experiencing today.

The unemployment and poverty of the 1930's led many people to try out new ideas and initiatives that could give them a better living standard. The result was that many small firms and productions saw the light of day then and some of them are now among the biggest industries and employers in Denmark.

Thus the crisis of the 1930's nourished a lot of initiatives that served as a substantial part of the foundation for later prosperity.

The crisis of the 1970's and 1980's has not led in the same way to a blossoming of new firms and initiatives in Denmark. On the contrary.

A natural explanation is that the social welfare system today makes life bearable for many people who in the past would have been forced to create a job for themselves.

The conclusion drawn from this observation should not be that the social security system needs to be coldly and cynically dismantled, of course.

On the contrary, consideration might be given to easing the rules that now deprive unemployed people of compensation rights the minute they make use of their free time to develop an invention or a new project at home in the basement.

Difference

The most thought-provoking thing, though, is that the decline in the number of newly-established firms does not exist in a number of other countries. The United States, for example, is teeming with new firms at this time.

Why the difference?

As mentioned above, part of the explanation may lie in our system of social security which is at the very top of the international scale. Even after the cuts of recent years.

Another explanation may lie in the conditions offered to initiators and new businesses here in Denmark.

A month ago, two business and financial people made some provocative observations in BERLINGSKE TIDENDE concerning a number of conditions that prevent new ideas, new projects and new business ideas from leading to the establishment of firms.

They were business consultant Tage Dalsgaard Jensen, an economist, and the Danish-American Carl K. Jensen who has acted as an international financial adviser for a number of years.

Criticism

In a joint communication to politicians and the general public, the two businessmen stated that in Denmark today it is almost impossible to come up with liable venture capital for the financing of new projects--for starting up new firms.

The two called for what in other countries is called "venture capital" (risk capital for starting new ventures).

They also called for an apparatus similar to what they have in the United States, England and Switzerland through which inventors and initiators can quickly and easily come in contact with companies, societies and individuals who are prepared to invest money in the form of liable venture capital in /new/ [in italics] enterprises.

At the same time the two businessmen sharply attacked Danish banks for their lack of interest and involvement in new business projects.

Danish banks do not make liable risk capital available to new enterprises at all, the two "instigators" stated. The banks are terrified of running

a risk. They not only demand full security on loans but also require someone starting up a new venture to put all his personal assets into the project.

Conditions are not that bad in places like the United States and that is why new enterprises are shooting up in America, according to Carl K. Jensen.

Acknowledgement

By and large, top bank directors have reacted by completely rejecting the provocative criticism. They point to the big losses banks have had on loans. That proves a willingness to risk money, they say.

But people in some branch banks are not quite so quick to reject the criticism. Several bank people "in the field" have admitted to BERLINGSKE TIDENDE that in spite of their very provocative format, the two critics brought up a very true and central issue.

The attitude among many bank people and branch managers is that inventors and business initiators seeking loans are a problem and take a lot of time and that they would rather lend money to employed wage earners.

This is both easier and safer for the banks--and for the employed bank officials themselves.

Union Investment Company

On the other hand, it is acknowledged that the establishment of new firms should be made easier and that channels are lacking through which liable risk capital could reach business initiators. Both the head of the Stock Exchange Information Analysis Institute and the chairman of the recently started Dan Venture investment company have said this.

The Social Democrats and the union movement are also aware of the importance of new enterprises. This is quite apparent from the statement of purpose for the labor movement's new investment company--and from the recently-presented Social Democratic general economic plan.

Industrial Affairs Minister Ib Stetter, who was asked to comment on the views presented by the two businessmen, wrote to the Folketing Business Committee that he agrees that the financial opportunities that can be made available to new industrial initiatives are a central point for the development opportunities of Danish industries.

However Ib Stetter was obviously not enthusiastic about the polemic and very provocative debate format employed by the two businessmen. And that has undoubtedly not helped to promote an otherwise good cause.

But the industrial affairs minister did point out that "there is ferment on many fronts" at this time and financial people have also said to us

that developments are now heading toward a solution of the capital problems of new enterprises.

The bank directors' total rejection of the criticism presented will not alter the fact that the number of new firms in this country has become alarmingly small.

That is a sign of sickness--just as it is a sign of sickness in society that the human birth rate is low and declining.

6578

CSO: 3613/191

PROSPECTS FOR VARIOUS BRANCHES OF ECONOMY

Bonn DIE WELT in German 19 Aug 83 p 2

[Article by Dankward Seitz: "The Mood Is Still Better than the Situation, for the Moment"]

[Text] The much-conjured recovery--is it coming, is it already here, or is it nothing but wishful thinking? These are questions for which the most important branches of the German economy have widely differing answers ready.

Who does not know it, that famous song hit, which cheerfully urges us to roll our sleeves up and to help increase the gross national product? Ever since the political change in Bonn, fear of a further economic downturn has yielded to confidence, to the effect that our economy, albeit slowly, will recover. Developments during the first half indeed definitely leveled off in the general view.

Nevertheless, many people in the meantime simply do not find it easy to keep talking about the big and fast economic recovery. Here and there we can already once again hear talk about stagnation. The investment subsidy, which was adopted by the former federal administration, declining interest rates, as well as numerous measures taken by the new administration to promote housing construction had aroused great and partly too great expectations.

But there is no reason to see things in black colors in spite of the still unresolved problems because there are many indications to the effect that the economy can pull out of its unusually long slump this year. In the estimate of the Munich IFO [Industrial Research] Institute of Economic Research, the GNP for the first 6 months of 1983, figuring on an annual basis, seems to have gone up by 2.5 percent. Industry's investment activities will increase definitely by the end of the year and will top last year's level by 4 percent at the end of 1983 because a large part of the factory orders, which were issued in connection with the investment subsidy, have not yet been processed through.

In the general view, the export outlook will also once again improve during the year. The in the meantime somewhat braked high-flight of the U.S. dollar, which many people watched with horror, is being viewed by foreign trade circles

if anything with laughing eyes. It is generally agreed that exports above all into the dollar area were definitely facilitated or are becoming more profitable. The hopes of the VDMA (Association of German Machine-Building and System Construction) in Frankfurt are also aimed at the American market in view of the strong dollar and the stabilizing upswing in the United States.

To characterize the economic situation, according to the observation of the Frankfurt BfG (Bank for Common Economy) it is now being said frequently that the mood is better than the situation. The situation as such, which we can read from the statistics, presently does not yet enable us to conclude that we are in a self-sustaining upswing. Nobody dares say whether optimism lends further impetus to the as yet still rather timid economic upswing.

Finding the correct criteria for judging the outlook is more difficult than ever before. There are major deviations toward both sides from the middle line. Besides, there are heavy differentiations from one branch to the next and from one company to the next, depending upon export dependence and structural situation.

The best example for this is the construction industry--which economy managers have selected as the work horse. The branch had gone into 1983 with great optimism, favored by the promotion measures taken by the new federal administration. But since then, opinions have begun to differ widely. Real growth of 2-3 percent in the construction volume this year as a real plus in incoming orders for housing construction amounting to 35 percent and in economic construction amounting to 13 percent resulted in better utilization only in a segment of the enterprises. Definite beneficiaries here are the small construction firms and the finishing firms.

For the big outfits, all this happiness was premature, as has in the meantime been admitted by the Main Association of the German Building Industry. They depend on public money to the extent of 60 percent and there is almost no public money coming through. Even though the semiannual statistics signal something better, one must--in the opinion of the Munich building corporation of Dyckerhoff & Widmann AG [Incorporated]--be prepared for a more or less unchanged construction output and declining earnings as compared to 1982.

Even foreign construction, which in recent years brought compensation for the weak domestic market, according to the biggest outfit in the branch, Philipp Holzmann AG in Frankfurt, has slowed down considerably now that the OPEC countries are running out of money. Here is the result: Everybody tries to get more domestic orders so that everybody gets smaller slices out of the growing pie.

The year 1983 will bring a definite upswing for the auto industry. The companies are partly working to the very limit of their capacities. BMW [Bavarian Motor Works] was able to report already early in July that "the total annual output has for the most part been sold." To be able to meet the heavy demand, Audi NSU [expansion unknown] will have to hire more personnel also during the second half and run special shifts. Even if exports and domestic sales should go down in the autumn, one can expect "satisfactory growth" (Daimler-Benz).

This development is being sustained especially by the domestic market and this is also explained by the hitherto absolutely highest licensing statistics in June with more than 307,000 vehicles (including 260,000 passenger cars). Only VW [Volkswagen] is analyzing the situation in a somewhat more reticent fashion although the company is roughly around the branch average with a sales increase of 5.2 percent. The people at Wolfsburg feel that the continuing pickup, which has been expected for quite some time, will not materialize until 1984.

Makers of utility vehicles have come up with similar reports. After the tremendous decline during the past 2 years, incoming orders definitely picked up at home. According to MAN [Augsburg-Nuernberg Machine Factory, Inc.], this trend will continue throughout the year although one might have to expect a slight dip during the second half. The Near East Market has collapsed; sales to the hitherto economically rather weak European markets will probably hold up reasonably well--according to Daimler-Benz.

The chemical industry thinks it can scent the dawn. Almost in unison, it was noted that "there are good chances of climbing back up especially as a consequence of greater plant utilization" (BASF [Baden Aniline and Soda Factory]) and "noticeably improved result" (Bayer) would be reasonably possible. The branch could really use that because 1982 brought an output decline by 5 percent and miserable capacity utilization rate of only 73 percent so that the branch was rather urgently made to join the ranks of the other recession-damaged industries.

The tone is cautiously optimistic. The first half of 1983 of course did bring a definite easing of the situation. Branch sales went up 2 percent, the output at any rate was 1 percent above the not yet completely disastrous first half of 1982 and this means that plant utilization also rose from 75 to 80 percent.

The electrical industry so far has come to feel rather little of the economic recovery. Its factory orders are still unsatisfactory. During the first half, the branch registered 2 percent less orders than during the same period of time last year, in real terms. The export business developed particularly unfavorably; 10 percent less orders came from abroad. After the sudden influx of orders, triggered by the expiration of the investment subsidy, domestic orders again declined somewhat. On the whole, however, it was possible to record a 2-percent rise here.

This setup--weak export situation, slightly rising domestic orders--will probably change little during the second half of the year, according to Siemens. One can hardly count on a noticeable revival of the foreign demand because of the sluggish development of the international economy. The OPEC and the developing countries will probably even further cut down on their orders. In view of the rather timid investment inclination, the growth rates will be kept within limits probably also domestically. Under these circumstances, Siemens assumes that the 1983 electrical industry situation will merely "creep along."

The German steel plants by the end of July 1983 produced almost 12 percent less raw steel than a year ago. But in July, the output had almost once again reached the corresponding level of the year before. This is a first signal

also in production statistics for the fact that the second half will definitely top the miserable statistics of the year before. More than the 1982 annual output of 35.9 million t however even the biggest producer, Thyssen Stahl AG, does not yet dare predict for 1983. At home, sales reveal a rising trend only to the auto and construction industries. In the export business, the demand from the United States and China and from the Near East and Middle East has picked up. All of that could in 1984 lead to a more definite recovery of the steel industry, or so Thyssen hopes. But this does not relieve the industry of the compulsion of the structure-improving capacity reduction within the context of EC steel crisis management.

In their extremely heavily export-oriented business, the big system builders so far have not come to feel any new upswing deriving from the weakness of the DM as compared to the U.S. dollar. There is practically not a single new big project ready for award anywhere in the world, according to Krupp Polysius AG, one of the world's biggest cement system builders--and that is symptomatic for many. The showpiece of German engineering performance in big system construction, Lurgi of Frankfurt, is demonstrating this situation with its decision to let most of the construction personnel work short hours for half a year.

The situation is quite dark for the German shipbuilding industry. The shipyards will soon sit high and dry unless a miracle happens. Most enterprises have no further orders as of the start of next year. During the first half of 1983, it was possible to record orders only for 34 ships with a tonnage of 154,000 GRT, worth DM934 million. Compared to the first 6 months of last year, this signifies an order decline by 35 percent. Here there was above all a drastic collapse in the export business. Only eight orders came from abroad. Said an association spokesman: "The export business in industrial countries has practically collapsed completely because of the high subsidies and other competition adulteration by the competitor countries."

The credit business has absolutely no reason for complaining about meager earnings. It will most likely turn out to be the absolute winner in 1983. As in 1982, one could speak of a profit explosion among the banks, if it were not still necessary to handle considerable chunks for depreciation and value corrections for unsecured or bad loans at home and abroad--and that could mar the rather beautiful operating results. Nevertheless, there is every indication that the 1983 banking year will bring more earnings than the year before.

For the semiannual balance sheets, the institutions throughout report two-digit growth rates (68 percent Commerzbank, 36 percent Dresdner Bank, and 16 percent Deutsche Bank). Of course, one must not extrapolate these figures for the whole year.

The banks however are dissatisfied with the loan transactions with the economy as such. There is hardly any demand for longer-term investment loans. This is partly connected with the fact--in the opinion of the Hessian State Bank--that industry feels that interest rates are still too high. Besides, however, the in-house financing situation of the companies has improved so that the slack season in short-term loans, looking at the economic situation as a whole, perhaps gives us a not entirely accurate picture. Business with private

customers and above all the demand for construction financing brought growth rates.

The hitherto rather hesitant economic recovery has probably its strongest support coming from the improvement in the consumption climate among private consumers. The hope for an economic upturn is "not entirely unfounded," according to the HDE (Main Community of German Retail Trade). At the beginning of the year, its sales forecast showed only a nominal plus of 0.5 percent but this figure has now been revised upward to 1.5 percent.

In the light of the fact that disposable consumer income in 1983 keeps growing only moderately and only nominally, this mood change in retail trade has its decisive reason in the fact that the "fear savings amounts" have been taken out of the extremely high savings rate of private households in recent years and have been channeled toward consumption. According to the banks, the people are again buying on the installment plan and are saving less because many want to treat themselves to more rather than less consumption in spite of stagnating or even declining real incomes.

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CSO: 3620/447

STRENGTHENED U.S. DOLLAR HELPING COUNTRY'S TRADE BALANCE

Reykjavik MORGUNBLADID in Icelandic 23 Aug 83 p 3

[Article: "Strengthening of Dollar Improves Iceland's Trade Balance"]

[Text] "We view the strengthening of the dollar as an improvement of our trade balance because we export more to the dollar market than we import from there. The development has been slightly better than expected but not so much better that there was reason to have changed earlier forecasts of improvement in trade balance as this strengthening of the dollar has not been completely stable and this could be a temporary improvement," said Jon Sigurdsson, director of the National Economic Institute, in an interview with MORGUNBLADID when he was asked what effect the strengthening of the dollar had on trade balance and national income.

Sigurdsson said further: "The trade balance during the first 6 months of the year proved to be about 4 percent more favorable on the average than last year, but if the aluminum trade is not included, the trade balance is about 3.5 percent more favorable than last year. We had expected a 3 percent terms of trade improvement, but because of the uncertainty that still prevails, we do not, however, think that there is any reason to change the forecast for the whole year at this time. The greatest difference is lower oil prices than last year but a part of it is because of high exchange rate of the dollar during the first half of the year.

This improvement in trade balance causes the decline in national income to be less than the national production and this difference is 1.5 percent of the national production, instead of a 6 percent decline in the national production forecast. The forecast improvement trade balance causes national income to shrink about 4.5 percent from 1982. In reference to figures for the first half of the year, the forecast for the 1983 trade balance is obviously made with caution."

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CSO: 3626/53

GLISTRUP TIGHTENS REINS OVER PROGRESSIVES AS HIS FOES QUIT

Copenhagen BERLINGSKE TIDENDE in Danish 20 Aug 83 p 5

[Article by Lisbeth Knudsen]

[Text] One by one Glistrup's problems in the Progressive Party are leaving of their own accord. Group chairman Uffe Thorndahl's departure on Monday is an important step toward allowing the party founder to regain party power. His Folketing group is gradually shrinking to a loyal flock and the leading people who dared to have a different opinion than that of the party founder are leaving the party or, like Uffe Thorndahl, are leaning calmly back to wait and see what happens on 9 September.

The Progressive Party's day of reckoning has been predicted many times, but never has the prediction been as accurate as the 9 September one. If the outcome of the negotiations with the government is an election, many Progressives believe it would be a catastrophic election for their party. If the result is that after a lot of fuss and microscopic concessions or none at all on the part of the government, FRP [Progressive Party] decides to vote to save the government after all, this would be a painful loss of prestige for the party that cannot fail to have consequences among the voters.

The government probably received the news that the group chairman of the Progressive Party, Uffe Thorndahl, would no longer hold that post as of Monday with great concern. On the other hand, Glistrup can check off one more item on his list of results. According to the party founder, the group chairman has long been infected with "Schluteritis" and should be replaced along with a number of other group members. The fact that the group recently shrank by several members does not bother the party founder at all, in his own words--as long as those left are the ones with the "right" ideas.

In the spring, many Progressives waited for the high court sentence in the Glistrup case. Some thought that the sentence and his approaching imprisonment would deflate Glistrup's power in the party. The opposite has happened. He has set the course for the party's negotiations with the government and may even be able to push the election button from Horserød

State Prison on 9 September. He has a plan ready for regaining power at the party's national congress in October. Members of the FRP group who have defected have already predicted the death of the party if it sets off an election on 9 September. Glistrup himself believes that the party will survive and adds that since voter support has gone downhill as long as he was still free, maybe things will go the other way when he is in jail.

Progressive Uffe Thorndahl is saying goodbye to the group chairmanship he was forced to take over 2 1/2 years ago. That is his own description of the situation in the spring of 1981 when a majority of the Folketing group wanted to replace the then weak Ove Jensen.

With Uffe Thorndahl's departure, the faction of the Progressive Party that wants a political struggle for the party's ideas that is shaped by the necessary negotiations and compromises and above all political results will lose the power position represented by the group chairmanship.

Uffe Thorndahl is the person who has made the Progressive Party respectable by Christiansborg standards. During his period of leadership, the Progressive Party has been taken seriously by the other parties in several political areas and the party was never before so close to the places where the real political decisions are made. He transformed the group's activity into something that bore signs of the political work of other parties and not of Glistrup's one-man machinations. He is respected by other parties and in his statements as group chairman tried to give the party the semblance of a large democratic assembly instead of a party with one leader and a lot of industrious followers. In partnership with national chairman V. A. Jakobsen he expanded on these efforts to make FRP into something other and more than Glistrup.

Uffe Thorndahl has had serious reflections about his position in the party before this and, now as then, family considerations are one of the main things leading him to step down as group chairman and await what happens on 9 September.

6578

CSO: 3613/191

NEWSPAPER DEcriES 'HYSTERIA' IN REACTION TO DOWNING OF PLANE

Helsinki HELSINGIN SANOMAT in Finnish 3 Sep 83 p 2

[Editorial: "Hysterical Exaggeration of Self-Defense"]

[Text] With regard to the disappearance of a South Korean civilian airliner on Thursday offshore of the island of Sakhalin in the Far East, there are still very many unanswered questions. In the absence of detailed information and evidence to the contrary, we must assume that the United States is right when it reports that a Soviet fighter plane downed a Boeing 747 jumbo jet with a missile.

The downing of the passenger plane that took place on Thursday is not a unique occurrence. It is an act that is just as much to be condemned as earlier acts by Bulgarian, Israeli and Rhodesian rebels have been. But because a superpower shot down a plane in the Far East, the incident is more shocking than the earlier ones. The big powers must be capable of controlling themselves, especially when what is at issue is an insignificant violation in terms of magnitude of one's airspace made by a single passenger plane.

Of course, every independent country has the right and the obligation to repel violations of its territory and airspace. But it is still more obvious that unarmed civilian planes may not even be endangered, to say nothing of downing them.

It is almost certain that the Soviet fighter planes did not know what was going on inside the South Korean passenger plane. So the Soviet pilots could not have been certain that a hijacking was not in progress in the passenger plane. They have already recognized this in the Soviet Union too. A hijacking could have been the reason for the plane's changing course.

In the first place the Soviet tendency to be trigger-happy is to be wondered at. All told eight Soviet fighters tracked the invader of their airspace for a couple of hours. It must have been clear to them that it was a civilian plane, a jumbo jet.

Also unexplained is the passenger plane's wandering hundreds of kilometers off the right course. The South Korean airline should have been familiar with its own precautionary measures since 5 years before another of the airline's planes met the same fate in the Murman area.

We must assume that there is an even more unfathomable secret behind the plane's straying off course into the wrong airspace. There can, however, be no question of spying. Reconnaissance satellites have competently and safely taken care of that for years now.

While still fresh in people's minds, the incident has given rise to a wave of anti-Soviet protest in the United States. People have already gone so far as to demand a cooling of relations, cancellation of the grain agreement and the freezing of other trade relations. The reaction was to be expected since there happened to be an American congressman and arch-conservative on the plane.

The cooling of superpower relations will, however, not help users of international airlines, ordinary innocent travelers. On the contrary, this incomprehensible incident shows to what point the suspicions and sulking of the two leading major powers are bringing the whole world.

It is evident that Soviet leaders in Moscow would not have granted permission to shoot the plane down into the sea. But the strict orders of the day regarding the sanctity of their borders issued specifically from Moscow and the vigilance that is demanded for an attack that may be expected at any moment create an atmosphere in which weapons are employed out of sheer stupidity. If they can irritatingly exaggerate their security needs for political reasons in Moscow, that exaggeration turns into touchiness at remote garrisons thousands of kilometers away.

Trigger-happiness adds to the chance of war breaking out by accident. The incident in the Far East demonstrates that the eleventh hour is already at hand with this outbreak of defense hysteria.

11,466
CSO: 3617/174

COUNTRY'S LEADING PAPER OPPOSES BOYCOTT BY AIRLINE PILOTS

Helsinki HELSINGIN SANOMAT in Finnish 9 Sep 83 p 2

[Editorial: "Boycott Will Not Assure Safety"]

[Text] The International Airline Pilots Association, IFALPA [International Fliers and Airline Pilots Association], has recommended to its member associations that a 2-month air blockade be imposed on Moscow in Protest against the downing of the South Korean passenger plane. Many of them have responded affirmatively and, according to advance information, the first flights scheduled from Western Europe to Moscow have already been suspended today.

The airline pilots' need for entering a protest is understandable. IFALPA is a sort of trade union, a special interest group, whose members now risk death in the performance of their regular jobs in certain heavily traveled areas. It is perfectly clear that pilots do not have to remain silent and just accept this now kind of and unpredictable situation.

IFALPA's recommendation, however, contains a proviso. The recommendation will be withdrawn if the Soviet Union promises to institute measures to prevent the shooting down of civilian planes. They are offering a way of avoiding a boycott, in which case the threat of a boycott would be enough of a protest.

Canceling the boycott would be a desirable solution. A boycott would not in practice mean punishment for those who downed the civilian passenger plane. On the contrary, the Soviet airline, Aeroflot, might fly with filled aircraft for the 2-month period.

Canada has, it is true, announced that it is closing its airports to Aeroflot planes for 2 months. The same has been suggested to the other NATO countries as well. So far, however, the proposal has not received much support. If it were to do so, the international situation would become considerably cooler than it is now.

The negative attitude toward the boycott is based on long experience with the fruitlessness of these kinds of blockades. Boycotts dictated by anger, even when justified, are not to be recommended as a way of handling international relations.

But, regardless of how extensive or limited the air blockade of Moscow is, a clarification of South Korean Airlines' methods of operation must also be obtained.

South Korean Airlines has now twice brought death to passengers who bought tickets for scheduled flights flying its flag. An undisputed explanation of the deviation of a South Korean plane from its course that occurred in the Murman area several years ago has not yet been made public. In the same way the only explanation South Korea has offered of the plane that was downed off the south coast of the Soviet island of Sakhalin is that it strayed off course.

So we must also assume that some day South Korean Airlines planes may just as well stray hundreds of kilometers off course in Western Europe's busy airspace where the danger of collision is great. This is already getting to the point where it may be statistically expected, if straying off course has so far really been the reason for these misguided flights. In that event the evident incompetence of the airline's personnel places the passengers and flight personnel of other airlines in perpetual danger of death too.

While the Soviet Union did without apologizing for it blatantly violate the established regulations governing international air traffic, South Korean Airlines must also be made to face charges. If they resort to a boycott, it should involve both guilty parties.

11,466
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CONSERVATIVES, COMMUNISTS URGE SUPPORT FOR SWAPO

Helsinki HELSINGIN SANOMAT in Finnish 2 Sep 83 p 12

[Text] The four biggest parties in Parliament are demanding increased political and humanitarian support for the SWAPO [Southwest African People's Organization], the Namibian liberation organization. According to the appeal, Namibian independence can be supported by raising development aid for Namibia or stopping the buying of products from South Africa, which is occupying Namibia.

Behind the appeal for solidarity is a broadly based coalition: the Conservative Party, the Center Party, the Social Democrats, the SKDL [Finnish People's Democratic League], the Greens, the Cooperative Organization of Youth Organizations, the Association of University Students, the Association of Christian University Students, the Africa Committee, the Workers Cultural Association and the Church Foreign Affairs Committee.

On Saturday the first anniversary of Namibia's struggle for liberation will be celebrated in Finland. The SWAPO has been waging a guerrilla war against the South African occupiers for 17 years.

In the opinion of the citizens organizations, because of historic ties that have endured for over 90 years, Finland has a particular responsibility for demanding that the United Nations implement the plan for independence and pressure South Africa with economic and political sanctions.

In 1982 Finland's development aid for Namibia amounted to about 6 million.

Appealing on the grounds of different pretexts and backed by the United States, South Africa has blocked implementation of the UN plan for 5 years now. Following UN Secretary General Javier Perez de Cuellar's recent trip, South Africa itself announced its approval of the plan, but linked Namibian independence with the presence of Cuban troops in Angola.

The United Nations has been unable to agree on economic sanctions against South Africa; the Security Council has, however, banned the exporting of arms. Several international sports organizations are boycotting South African athletes.

Trade with South Africa Has Tripled

Finland has condemned South Africa's racial oppression, yet maintains diplomatic and trade relations with the white majority government.

Finnish-South African trade has tripled in 5 years time and exports have increased faster than imports.

In 1978 Finland imported items worth about 42 million markkas from South Africa and last year 122 million markkas worth. Five years ago our export volume amounted to 115 million markkas and last year 337 million. According to Customs Office statistics, trade with South Africa has grown at a slightly faster rate than trade in general.

South Africa's share of our foreign trade is very small: Its share of our imports was 0.2 percent last year and 0.5 percent of our exports.

Paper, cardboard, machines and viscose fibers are the most important export items.

Finland buys chiefly fruits and minerals from South Africa, but last year the biggest import category in terms of value was cellulose. Pine timber was also imported.

Namibian products: caracul furs, out of which Swakara fur coats are made, and probably minerals, are also shipped to Finland via South Africa.

The UN Namibia Council has banned the utilization of Namibia's abundant natural resources until the area has achieved independence. Namibia's wealth is, nevertheless, being sold to Japan, the United States, England, West Germany and France through the intermediary of South African and multinational firms.

11,466
CSO: 3617/174

SKDL LEADERS DISCUSS FRONT'S GOALS WITH EUROCOMMUNIST ORGAN

Helsinki KANSAN UUTiset in Finnish 13 Aug 83 pp 2-5

[Interview of SKDL leaders by Maija Aalto]

[Text] VIIKKOLEHTI posed three questions to eight prominent comrades of the people's democratic movement, who had returned from their summer vacations:

1. What is the reason that nothing has been heard from the people's democratic movement all summer?
2. According to the most recent Gallup poll, the SMP [Finnish Rural Party] is attaining support figures approaching those of the SKDL [Finnish People's Democratic League]. What are your comments?
3. The SKP [Finnish Communist Party] is planning to begin the publication of a new newspaper in the fall. How do you believe this will affect the whole development of the people's democratic press?

The answers demonstrated concern as could be expected. But they have not yet thrown in the towel. The look is to the future even though there is some dispute over the course.

Hysteria Will Not Help

Ulla-Leena Alppi, MP, vice-chairwoman of the SKDL:

1. The silence is the result of the fact that people have been on well-deserved vacations and have been recovering from the fatigue of the previous elections. Now one should wake up, we are faced with important issues. Provincial festivals represent a kind of inauguration for the resumption of activities. Traditionally, politics are conducted differently in the summer than in the winter.
2. Undeniably, the Gallup poll was startling. Perhaps we have somewhat underestimated the influence of the SMP at a time when populism and superficiality are being emphasized in politics. The situation should be taken seriously in the SKDL, but not with a sense of hysteria. What is needed is a joint, profound discussion at the basic and leadership levels.

3. It is necessary to know what kind of paper the SKP intends to publish. Its content will determine whether it will support other publishing activity and whether it will increase interest in the whole movement. I do not know any more about this issue, I can only say that its content will be the determining factor.

An Interpreter Will Be Needed

Olavi Hanninen, second chairman of the SAK [Finnish Confederation of Trade Unions]:

1. Naturally, summer vacations have had the most effect although perhaps the summer has been more quiet than usual. We are acting a little as if we have been hit on the head with a baseball bat, and we are in an interim phase in which we have not yet recovered from the election defeat and have not quite yet properly begun to organize new activity.

2. It is not such a great surprise that dissatisfaction is now manifesting itself through the SMP since there are reasons for dissatisfaction in this country. But this situation need not be permanent: indeed, the SKDL can once again become a channel serving as an interpreter for that segment of the population suffering from injustice. It is important that we do not postpone any longer the drawing of a conclusion on our internal problems also, but that we resolve them.

3. We must not discard anything that could have a positive effect on our internal situation. The press is one segment in this. Since there is yet no ready-made solution, it is impossible to evaluate its effects, but, in any case, it should not have a negative effect on existing newspapers. A new newspaper -- if it becomes a reality -- should be directed to serve the internal discussion and not to compete with the daily paper.

No Room for Two Papers

Kalevi Kivisto, MP, chairman of the SKDL:

1. This is a graphic reflection of the consequences of our movement becoming an opposition power. The government is a visible and audible political forum, which attracts publicity, particularly during a parliamentary recess. But the SKDL's interpellation, the budget, and international events will provide us with material for a strong start as politics now resume in the fall.

2. The result is the greatest possible graphic demonstration of the fact that inclusion in the government was not the reason for our support problems and the departure from the government is not the joy of good fortune. With its unity the SMP has at least a start in acquiring that prestige which participation in the government can provide at its best. The situation can be compared to the position of the SKDL after the middle of the 1960's. However, our problem has been that only a portion of the group has supported the chosen line. But the game has not yet been lost. The SMP's credibility will

encounter difficulties, and a solution to the problems of our own movement is not yet too early.

3. The existence of the SKDL -- the whole SKDL -- is essentially based on the fact that the movement as a whole and together manages the organization of activities and also the dissemination of information by means of newspapers. I do not believe that our movement has room for two nationwide newspapers. The basic question of the existence of the movement is that the SKP makes its own press decisions in such a way that the existence and operational opportunities of KANSAN UUTISET will not be endangered.

News Threshold Raised to Roof Level

Marjatta Stenius-Kaukonen, MP, member of SKP Politburo:

1. The People's Democrats have not been exactly quiet as the PCB incident in Tampere, for example, demonstrates. But the attitude of the bourgeois media toward us has now been completely different than when the government was in session. The news threshold has been raised considerably, and what is stated is generally negative. There have been articles about the SKP's disputes even during the summer in spite of the fact that there have been no meetings of party organs.

2. Indeed, it was upsetting. The SMP's acceptance at court seems, for the time being, to have a greater effect than the burdens of being in the government, which still weigh heavy on us. Superficiality is the trump card and not the fundamental reforms promoted by the SKDL. We should direct our attention toward our own work, the building of unity and toward issues that are close to the people.

3. It seems that internal problems cannot be overcome except with a single newspaper. This KANSAN UUTISET and TIEDONANTAJA will not accept, too many advance positions have been taken. Economically, a new paper would, of course, be a heavy burden. Repairing a quarrelsome image would have a positive effect on our whole press.

Column Space for Women!

Inger Hirvela, MP, chairwoman of the SNDL [Finnish Women's Democratic League]:

1. Vacations, naturally, and the fact that we do not now have our own ministers in the government, we are not getting any publicity. Work is now beginning to pick up again after the summer vacation.

2. Indeed, the people cannot be blamed for the results of the Gallup poll. We must examine ourselves.

3. It depends on the kind of paper the SKP intends to publish. If equal space is given to women and to issues concerning women, if it brings up issues concerning daily life and people in the workaday world, it will have its own stimulative effect. KANSAN UUTISET will continue to be the newspaper

of the whole movement and it will be able to give greater attention to differing opinions and the whole political spectrum of the people's democratic movement if the SKP has its own newspaper. The current papers in our movement must not be forgotten in campaigning on behalf of a new newspaper.

Leftwing Ignored

Markus Kainulainen, secretary of the SKP Uusimaa District:

1. The party operates and influences society with its ideological and political line. Its unity and ability to struggle must not be tied to the economic situation. A correct, unified line will guarantee its operational capacity, but administrative measures and a disregard for the views of the party organizations make this difficult.

2. As a continuation to the above I would say that the party's long-term identification with government policy has given the SMP, which has based its positions on petit bourgeois radicalism, room to strengthen its position in the minds of the people. Or the SKP has not taken care of its leftwing. Our downhill slide will come to a halt if the SKP builds a unified policy line.

3. In the present situation the press issue is the center of controversy. The problem is not the number of newspapers but their political content. The party should ensure that discrimination in the newspapers cease and that articles in the newspapers be made to correspond with SKP congressional decisions, workers' interests, peace, socialism, and communist philosophy. Our district organization has worked on behalf of an independent daily paper for the SKP for a long time. The press question cannot be resolved by mergers or by ceasing the operations of certain newspapers, but by promoting communist press activities. We support, among other things, proposals according to which the editorial principles of our papers are determined in a spirit of cooperation between the Central Committee, the district organizations, and the newspapers themselves and according to which party collectives are to be formed in each paper to guide its work.

Unify Sources of Publicity

Jouko Kajanoja, chairman of the SKP:

1. The People's Democrats have also been on vacation, indeed, a vacation is an achievement of the workers' movement! Spiritual relaxation is necessary since we are now faced with a politically demanding working season.

2. There are many explanations such as the SMP's acceptance at court and its increased self-assurance. But the moment of truth will come in the budget negotiations, in which the SMP's promises and its government policy line will be placed in the balance. The overall rightwing trend explains the channeling of the protest through the petit bourgeoisie. Disunity within the people's democratic movement is one reason. What is most important is what we ourselves intend to do now. The SKP and the SKDL are the only significant forces for political change. Our work must be reformed and improved. We

will not advance as a Gallup-movement, but as a channel for public influence on politics.

3. The realization of this plan will hopefully eliminate in an essential manner the situation of a dual source of publicity, which causes democracy as well as centralism to limp along while maintaining two discussions and two interpretations of and instructions on decisions. A solution would eliminate the internal problems of the whole movement and its press. A new paper must also support the development of KANSAN UUTISET and the provincial press -- but it should have a different profile than the others. A halt to the publication of PAIVAN POSTI and KOMMUNISTI would alleviate the economic situation. However, a solution will certainly not be painless. The meeting of the Central Committee on 10-11 September will have to deal with this issue.

The People Know

Jarl Sund, chairman of the Foodstuffs Workers Union:

1. This is natural, people have vacations stipulated by their labor contracts. Trade union politics were brought up to some degree at trade union retreats, but there were probably no great political events. Absence from the government is also having its effect. But we are back to business as usual in the trade unions.

2. When I was young, there was a popular song entitled "Everything Is Temporary". Even from the beginning I knew that the situation will not continue as such for long even though the praise lavished on the SMP by the bourgeois press is conspicuous.

Still people cannot have the wool pulled over their eyes forever, I believe in the people!

3. I do not know the concrete content of the SKP's plan. Naturally, if the press problem could somehow be resolved, it would alleviate the movement's internal situation.

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REPORTED CHANGES IN MINISTERIAL, OTHER POSITIONS

Athens TO VIMA TIS KYRIAKIS in Greek 28 Aug 83 pp 1, 10

[For additional reportage see the 8 September 1983 issue of the Western Europe DAILY REPORT, page S 1]

[Excerpts] A "mini-reshuffle" in the economic sector is under study and it will possibly take place during the first days of September.

However, no matter when this government "reorganization" is planned for, it will not assume the character of impressive changes and replacements.

This is even more the case in regard to Finance Minister Dimitris Koulourianos, who has been repeatedly requesting that he be allowed to deal solely with monetary matters.

According to valid information, changes and replacements will not be many and will not go beyond 4 or 5, since it is believed that the performance of the government resulting from last July's reshuffle is quite satisfactory from the point of view of both infrastructure and general planning.

However, Mr Koulourianos' immovable decision to deal only with the monetary system is facilitated by the expressed wish of Minister of National Economy Gerasimos Arsenis to "free" himself of his position as governor of the Bank of Greece; Mr Koulourianos reportedly has expressed the wish to take over that position.

If the Ministry of Finance will finally go to present Minister of Agriculture Kostas Simitis, then his present position will probably be taken over by alternate Minister of National Economy Giannis Pottakis, who is experienced in international contacts because of his 2-year association with multilateral commercial relations issues. In this case, Mr Arsenis reportedly wishes to see present deputy minister of national economy Kostis Vaitzos assume the position of alternate minister of national economy, while the strongest chances for taking over the position of deputy minister are held by Messrs Giannos Papandoniou, a Eurodeputy, and Andreas Kazazis, a deputy from Salonica.

Present deputy minister of national economy Andonis Georgiadis will probably take over the position of deputy minister of finance, which is now vacant due to the resignation of Takis Roumeliotis.

If Minister of Economy Dimitris Koulourianos were to keep his present position during the planned "mini-reshuffle," or if he were replaced by someone other than Kostas Simitis, then Giannis Pottakis would reportedly be moved to the Ministry of Energy and Natural Resources with expanded responsibilities (foreign commerce and international relations).

In that case, present Minister of Energy and Natural Resources Evangelos Kouloumbis, who reportedly is experiencing cooperation problems both with higher administrative officials of the Ministry and of DEI [Public Power Corporation], is reported as preferring to be moved from the Ministry of Environment and Housing to the Ministry of Research and Technology (now headed by Georgios Lianis), since in his capacity as minister without portfolio Mr Kouloumbis had established the infrastructure for the creation of the Ministry of Research and Technology.

However, if Mr Kouloumbis were to be moved to the Ministry of Environment and Housing, then Mr Andonios Tritsis would reportedly assume the Ministry of Research and Technology.

The continued presence of Georgios Moraitis at the Ministry of Commerce is still uncertain; however, the assumption of this position by Stelios Panagopoulos, the governor of the National Bank of Greece, is to be excluded.

CSO: 3521/435

POLITICAL

GREECE

BRIEFS

SECRET DOCUMENT LEAKED--An ex officio suit was brought against the publisher of the ELEVTHERI ORA newspaper, against an unknown third party and against anyone responsible for the publication of a secret government document, which was pronounced authentic by the competent deputy minister of national defense. Deputy Minister of National Defense And. Drosogiannis specifically termed the article published by the above newspaper as inadmissible; the article referred to leaked Air Force documents. Mr Drosogiannis added that these documents are bulletins regarding movements of Turkish air force planes issued on a daily basis. [Excerpt] [Athens I KATHIMERINI in Greek 3 Sep 83 p 2]

CSO: 3521/435

PAPER CRITICIZES PROGRESSIVES' FOREIGN AFFAIRS EXPERT ON TF

Reykjavik MORGUNBLADID in Icelandic 23 Aug 83 p 20

[Editorial: "Misunderstood Leadership Role in Peace Affairs"]

[Text] Little over 2 years ago the idea was put forth in TIMINN by Thorarinn Thorarinsson [editor of TIMINN], the Progressive Party's chief foreign affairs expert, that the objective in the Western countries was not to deploy nuclear missiles in the ocean, and Thorarinsson used this assertion to argue an idea he had put forth in 1978 to the effect that Icelanders "had taken the initiative to reduce the arms race and the risk of war in the North Atlantic." This developed to such extent among the Progressives that for a while they felt what most likely would promote "peace" in the North Atlantic would be that Icelanders would call a meeting here for representatives of the nuclear powers and the North Atlantic coastal states for discussions. This is being recalled here now because on Sunday, the Progressive Party's foreign affairs and security affairs expert, Thorarinn Thorarinsson, repeated his articles from 1978 and 1981 about these matters and now indicates that it is more than timely to do something more about the matter.

It is noteworthy that Thorarinsson feels that it is only necessary to start discussions about a nuclear-free North Atlantic when he claims to foresee that Western states, spearheaded by the United States, will deploy arms there, i.e., cruise missiles, conceivably with nuclear warheads, similar to the ones the Soviets have had for years. The U.S. cruise missiles are not deployed in the North Atlantic and their future is uncertain. Thorarinsson was also worried about the NATO decision on new intermediate range nuclear missiles in Europe--nobody will entertain the thought of placing them in ships at sea. That idea was rejected with a NATO decision in December 1979. Thorarinsson worries that the so-called U.S. MX missile will be deployed in the ocean but there are no plans to do that. And it is a fact that the missiles on board of the superpowers' submarines are so far ranging that the submarines do not have to sail into the North Atlantic in order to shoot at predetermined targets.

Fortunately, the development seems to be that nuclear weapons will rather decrease than increase in the vicinity of Iceland because of technical

development. At any rate, our allies' nuclear equipped war machines ought to become less numerous, but Thorarinsson especially aims his spears against the Western weapons, as easily can be seen, and these contemplations of his have always aroused considerable amusement within the People's Alliance. Olafur Johannesson [Progressive Party] did not, however, pay much attention to this while he was foreign minister and there is even less reason for him to fall over backwards because of that now.

It is a misunderstood role of leadership in peace matters to stand up and demand unilateral disarmament of the Western countries, be it on the ocean or elsewhere. The fact is that the only fleet equipped with nuclear charged cruise missiles in the North Atlantic is the Soviet fleet. It is necessary to defend against such danger and at the same time force the Soviets to sail off with these ships of theirs--no multinational conference is needed for that. The Icelanders serve the role of leadership in peace matters in the North Atlantic by standing guard over their independence and freedom. The responsibility of the nation is significant in these matters although it is without arms.

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CSO: 3626/53

PSI'S BONIVER DISCUSSES PARTY'S FOREIGN POLICY

Florence POLITICA INTERNAZIONALE in Italian Jun 83 pp 13-18

[Interview with Senator Margherita Boniver by Giampaolo Calchi Novati: "The International Dimension of the Italian Socialist Party"]

[Text] We asked Senator Margherita Boniver, in charge of the international department of the Italian Socialist Party, some questions on the most heavily debated and controversial issues of international politics. The occasion was presented by the last meeting of the Socialist International at Albufeira, where topics such as disarmament, security, the international economic crisis, the policy of the big powers, the Middle East, and North-South relations were taken up.

[Question] I would like to begin with your general judgment as to the last meeting of the Socialist International in Portugal.

[Answer] The general judgment is positive. The meeting concluded above all the proposition portion with the full consensus also on the part of our party. The basic issue which is and remains the issue of disarmament and security for the socialist and social-democratic parties, was concluded with a final statement that, with some trouble, did manage to work out a middle line of consensus, working around the often rather diverse policies of the socialist and social democratic parties some of which are in power while others are in the opposition and still others are part of the member countries of NATO, with some operating in neutral countries, such as Sweden, Finland, etc.; in the end, however, this consensus did manage to win the favorable vote of all parties present--and they numbered more than 70. In addition to the fundamental issue of disarmament and security, we naturally also discussed the basic topics of this congress which were the socialist response to the economic crisis. On that score, obviously, the responses that were given, as contained in the final resolution, necessarily are somewhat more vague and more of a general nature because it is not easy to come up with a single answer to a series of compelling problems, such as the very serious economic crisis, unemployment which has hit not only the industrialized countries and which, having been struck indiscriminately, must come up with rather diverse responses, from one country to the next.

[Question] The Albufeira conference ended tragically with the murder of Sartawi. Apart from the specific issue of the Middle East, can we think that the assassination was intended to strike at the International and in a certain sense redimension its influence?

[Answer] No, I absolutely do not think so, also because, as we know, the resolution on the Middle East, which came out of the various bureaus and out of this last congress of the Socialist International, may, to not fully informed persons, look like resolutions that are downright regressive for example with respect to the famous declaration of the ten several weeks earlier. This is normal since we have operating in the International various member parties which come from the area, including the Israeli Labour Party but also the Lebanese Socialist Party of Jumblatt; hence, the search for an understanding was extremely difficult and there was a risk of a breakup several times. From that there emerged a resolution which was considered acceptable but which certainly is not in any way behind the other steps that were taken. Hence, the Sartawi murder was not so much a "mafioso" warning to the Socialist International but rather a general "mafioso" warning which was intended to demonstrate that anybody who expresses a desire to talk to Israel must be eliminated physically. This is the interpretation we have come up with also in the light of the fact that Sartawi was a moderate.

[Question] In general, does the PSI [Italian Socialist Party] share the line of the International? Also in this very complex phase of transition from eminently European organization to an organization that seeks more to take into account the extra-European presence and problem complexes?

[Answer] Yes, in general we are in agreement. We are somewhat confused but that does not only apply to us; other European socialist parties are similarly confused; I am thinking here, for example, of the situation in Central America. We believe it to be more correct that the final resolution on Central America should also contain an amendment urging the Sandinista government to schedule elections within the shortest time possible and to adopt a democratic constitution. To our great regret, this was not possible, basically, because of the opposition of most of the parties and movements from that continent. Therefore, for the nth time, as happened in the case of the Falkland-Malvinas conflict, there was a growing tendency to face the more ticklish problems with a rather consensus-oriented approach that does not always produce satisfactory results, especially for the parties to the conflict.

[Question] Are there any institutional relations between the Socialist International and the other internationals, in particular, the Christian Democratic International?

[Answer] I do not know. Perhaps this is a question which you should address to the International secretariat; but I absolutely do not know. I know that, as far as the Liberal International is concerned, there was a request from its president, that is, Malagodi, which we considered positive, a request for a summit meeting of the three internationals, that is, Liberal, Socialist, and Christian Democratic.

[Question] The PSI appears rather rigid in demanding that the PCI dissociate itself from its international affiliations, from relations with the USSR, and, in general, the communist world, while, on your part, you are very busy pursuing relations with similar parties. Now, is the motive behind this different approach the different type of associationism prevailing between the communist parties and among the socialist parties or is it merely the absence, as far as the socialists are concerned, of a party or a leading power, as in the case of the USSR, which moreover is also a superpower.?

[Answer] An answer to that question could involve both aspects of this point. We do not demand that the Communist Party break off its affiliation with other parties. We do demand a constant clarification regarding a foreign policy line which every so often seems to us to be frankly blurred, specifically on the issue of defense. We think that, once the Communist Party has accepted the so-called "NATO umbrella," it is rather mysterious why it then does not absolutely want to accept that which instead is an element accepted in NATO circles, that is, that there is an imbalance among nuclear theater forces in Europe. Or, once this imbalance is accepted--and I believe that the Communist Party has accepted it--to propose solutions which are different from those that are being made in the Western area.

[Question] Hence, it is not so much the type of links which the PCI [Italian Communist Party] could maintain with the other communist forces that is under discussion.

[Answer] It is that, too, because the other communist forces have their own policy which is judged and which influences or should influence the alliances. We even have treaties, for example, the Helsinki Accords. Here again it seems to us that we have a contradiction when we presume that there are still very tight links, and I do not know how true this is, between the PCI and the other parties of the East, knowing full well what the domestic policy is in those countries, above all on the fundamental issue of civil and human rights.

[Question] Do you think that we have room for an effective policy in the international arena outside the blocs or that, in substance, "power" is too much concentrated in the big powers and in their allies to be able to pursue a foreign policy that is divorced from those centers in an effective manner?

[Answer] We certainly do have the elbow room but I believe that it keeps shrinking dramatically day after day and this is precisely what we have been saying over and over again for many years: The physical incapacity of the two superpowers--but not only on their part--to come up with political responses to political problems while, on the other hand, there is a tendency always and only to come up with military responses. Hence, there is a kind of substrate which will be more and more complicated and more and more complex to take apart and do away with. Among other things, there is also another element and that is the lack of grand figures and grand personalities on the international political scene. This is certainly true in the democratic regimes and this has to do with the election systems. I believe that this would be a question to be analyzed very carefully, that is to say, how much of a role the mass media play in

the election systems and what exactly the mass media are doing in practice to bring out figures considered to be popular. Now, popular figures are not always necessarily the figures of great statesmen.

[Question] I would like to raise an objection regarding what you said about the incapacity of the big powers to solve political problems in a political manner. It is true but it is also true that bipolarism is most rigid on the military level. I ask myself whether the acceptance--beyond the count of missile numbers--of a certain military logic implicit in American leadership does not introduce the risk of in reality supporting that policy. Could we not imagine a break in that logic also at the cost of moving against the search for an always precarious nuclear equilibrium?

[Answer] Yes. But this naturally does not concern only the United States. It also concerns the Soviet Union in the first person. And it has to do with the very high subnuclear threshold, that is to say, with the progressive and constant militarization of extremely vast areas of the so-called Third World. It also means local conflicts, it means that the problems which have been around for many decades, run the risk of daily being blown up into much bigger dimensions when compared to the problem itself precisely because we have seen the ease with which sophisticated weapons can be exported, purchased, and transported. This makes the entire issue even more rigid and much more complicated.

[Question] Concerning the greater or lesser room which we have, do you believe that Europe is completely exploiting the room and the credit which it has gotten for itself throughout the world?

[Answer] Absolutely not. As a European entity and in our approach to that role, we are very far from that objective which should be a priority objective. Basically, Europe is the "first power" among the free nations, the rich nations, the most important community as far as commercial prospects worldwide are concerned. Well, we do not manage and we never managed to export a foreign policy line; we did not manage above all to export democracy understood as a commodity and that also applies to the solution of problems which are literally in our own front yard, in other words, the Middle East, although we have begun to give some signals, for example, by dispatching a certain military force to Lebanon; still, Europe did not manage politically to express its views at a somewhat higher level. We are really on a level very close to zero.

[Question] Does the PSI have more confidence in Europe as such, as an institution, or in the socialist parties which gradually are gaining power in many European countries?

[Answer] It is very difficult to compare the experiences of the socialist brother parties which are operating in different contexts. Let us take the example of southern Europe where the party of Soares and the party of Gonzalez are working under conditions and in situations which are really very different from those in Italy. Hence, on some issues, we do have points of maximum agreement whereas on others there is simply an exchange of opinions and experiences but we do not manage to go beyond that. Another example is PASOK [Greek Socialist Party] which among other things is not even a member of the Socialist

International but which is still a socialist movement that has taken over leadership of a troubled country, such as Greece, with the extremely serious problems which Greece has in dealing with Turkey. We thus understand how diverse the Greek socialists might appear when compared to the Italian reformist socialists.

[Question] But there has been a gap between what was declared by the socialist parties that are in opposition and those that then achieved a change and came to power.

[Answer] I believe that this is typical not so much of the socialist parties but of all political parties.

[Question] Regarding the traditional third-force or equidistance trim which somehow hovers around the European socialist and social democratic movement--of which today only the British Labour Party is the interpreter--do you believe that this is a reasonable prospect for the European socialists and for Europe as a whole? Is it still present in the PSI or have you gotten rid of it?

[Answer] There are certainly some fringes which represent this kind of thinking and it is also very interesting and very true that this is so because it is always very stimulating to have counter-proposals. As for the Socialist International--and I believe that this was also the content of the introductory address by Willy Brandt or in the final resolution approved in Portugal--there is a definite reference to the fact that the third way, the third force, can only be a choice of social democracy, that is to say, of libertarian socialism. Hence, we put aside any foolish aspirations, both neutralist in foreign policy and in security and defense policy, and precisely regarding that proposal which we hear talked about every now and then in terms of creating a kind of European third bloc.

[Question] We said that Europe has fallen somewhat below expectations. What about Italy? The PSI has often been in the administration in recent times. Do you think that the most serious problems of the moment have been adequately tackled in Italy? I am talking in particular about the North-South problem and the crises which involve areas more contiguous to our sphere of action.

[Answer] On the North-South issue, I think that we are simply at the dawn of a policy which will have to be gradually more and more refined and which will have to be made more specific, especially in order more effectively to act upon that which has so far not been done. But precisely because we are the last to arrive, we are confident that--above all through careful parliamentary control--the administration will know how to set in motion those mechanisms that will make development aid less scattered and more specifically target-oriented; in our opinion, that development aid should be concentrated so as to achieve greater effectiveness; but above all it should be administered through action techniques tailored for those countries. In this sense, Italy can play and will be able to play a fundamental role of its own since we have enormous possibilities of exporting medium and low technologies that are particularly suited for the countries we seek to aid.

[Question] And what about the Mediterranean and the Middle East?

[Answer] Let us say again that our presence in Beirut is simply a first indication of what Italy could do in reality--and what it could do with even greater vigor. Naturally, all of this is also tied to a domestic political situation which, sooner or later, will have to be stabilized so that we can operate over a period of time that will be a little bit longer than the average duration of Italian cabinets. These two things are interconnected.

[Question] The reference to Beirut brings to mind the objection which was made to the Italian government, to the PSI, and in particular, to Minister Lagorio regarding excessive military activism in areas outside NATO. The presence in the Middle East, the shipment of weapons to other countries, showing the flag on the Horn of Africa, and so forth and so on. What do you think of this line of tendencies or this allusion to a line of tendencies that might also not exist?

[Answer] Yes, we can simply call it an allusion because--apart from individual acts--I find it entirely normal that the world's sixth-ranking or seventh-ranking industrial power should every now and then demonstrate that it also has a minimum capacity and effectiveness from the military viewpoint likewise. I would not go far beyond the minimum of effectiveness, naturally.

[Question] The PSI has insisted many times on the geographic delimitation of NATO, also to justify its switch from the opposition to the Atlantic Pact to membership. Is this a point that remains firm?

[Answer] It is a point that remains very firm and naturally just as firm is the fact that NATO is and must remain a merely defensive alliance.

[Question] What precisely is the PSI's position on the Middle East today? It was accused of having a pro-Israeli inclination but then it moved closer to the Palestinians, while Craxi met with Arafat. Apart from the position of the International, what does the PSI propose?

[Answer] Immediate negotiations between all parties concerned. That means Palestinians, Jordanians, and Israelis. Only through negotiations between the parties can one lay the foundations for a solution.

[Question] Would the PSI be prepared to sponsor--and some American scholars are proposing in an effort to put the USSR to the test--a return to Geneva, with a conference that would also draw the Soviet Union in again, as a function of the future equilibriums in the Middle East?

[Answer] This cannot be ruled out even though it seems to us that it is necessary to make further attempts restricted to the populations and peoples present in the area. With great interest we watched the succession of American proposals and with enormous preoccupation we watched the succession of failures of those American proposals.

In the Middle East, as in all other parts of the world, we seek the maximum strengthening of the moderate and reformist tendencies but above all those signs, which today are very weak, and which can come from certain sectors of Israeli public opinion that seek and want the dialogue. In this sense we are obviously on the side opposite to the policy of Begin.

[Question] Which are the socialist parties in the area outside Europe with which you have had the best relations and which you consider most homogeneous?

[Answer] We have excellent relations with Democratic Action of Venezuela, with the MNR [Nationalist Revolutionary Movement] of Ungo, obviously, or, to put it better, with Ungo, because we do not really know where the MNR stands, with the Senegalese socialists. We also have relations--although naturally not in terms of member parties--with the Somalis, whom we try to help and who call themselves the Revolutionary Socialist Party.

[Question] The Senegalese socialists are rather isolated in Africa from the Marxist-inspired or pro-Soviet socialist regimes and parties. Is this unconditional support of the PSI to the African International, the Interafrican, which Senegal has made itself the sponsor of together with Tunisia, not a little bit restrictive for a general approach to the problems of Africa?

[Answer] We are obviously present not only in Senegal. For example, in June there will be an important conference on southern Africa in Arusha, organized by the Socialist International, to which we intend to give our full contribution. Quite obviously, there remains a priority interest in the problems of the so-called contiguous areas, that is, the Middle East. But then, among the various parts of the world, we will try to pay maximum attention to the problems of Africa since it is considered closest to Europe and above all closest to Italy, as compared to Latin America or Central America. We think that we can perhaps begin to solve some problems of the African continent and we find it very interesting that, among the multitude of different political systems on the continent, there are some experiences, such as those of Tunisia or Senegal, which have led to pluralism, to a multiparty system: All of these experiences are relatively new on the continent and we obviously try to encourage them.

[Question] Lastly, I would like to put to you a question of method. It is often said that in Italy foreign policy is not being pursued as such but is being drafted and set up for the purposes of domestic policy. This seems to be confirmed also by the rather scant interest of the parties and of public opinion in the topics of international politics. In this context, and with a minimum spirit of criticism and self-criticism, what is your judgement of the policy of the PSI in relation to the internal alignments and its domestic policy choices?

[Answer] I believe that what you said is quite true but I repeat that this is a phenomenon that is typical of democratic election systems. In other words, I believe that everything that is done in domestic politics could have repercussions also on the foreign policy line and viceversa. This, it seems to me, is entirely legitimate and normal. We could possibly even give some examples. When the PSI threatened a crisis on the Salvadoran issue, some people

interpreted that as the adoption of a position aimed purely at giving a message within the country; we, on the other hand, considered this an issue of such importance that it seemed to us entirely out of the question and intolerable that a government of coalition with the socialists should in parliament have expressed a line that was definitely in support of the Duarte administration. Another example which, from our viewpoint, was sufficiently well set up has been our position--to which at the same time were added the positions of the PCI and I believe also of the DC [Christian Democratic Party]--regarding the Falkland-Malvinas conflict and above all regarding the extremely delicate point of the economic sanctions decreed with very great haste by the European Community. Here in a certain sense we found ourselves very isolated, above all from the viewpoint of the press and public opinion, and we also I believe had a certain amount of trouble in explaining what persuaded us to do something that apparently ran counter to our convictions. I found this personally among other things myself because I went to Latin America several months later and I discussed this thing with leaders and persons belonging to the socialist and social democratic movement and generally to the Latin American left; I realized how right we were on that specific point. Day after day we keep telling ourselves how privileged we are to live in a country with a democratic press, a free press that informs us completely. Well, I found that the exact opposite was true. In the Italian press, for example, I never read that, regarding the problem of sovereignty, there had been a series of UN resolutions in which there was a very clear and explicit reference to the neocolonial issue regarding the Falkland-Malvinas territories. And this precisely demonstrates how easy it is to adopt and push something, such as full support for British military intervention, not shared by the PSI and not even by the Spanish socialists. Indeed, in the Socialist International, we were the two European parties that were on the opposite side. Hence, this was not so much a routine Third-Worldism, such as we have become accustomed to practicing it, but rather an attempt at understanding also the real needs and the real aspirations, not only of Argentina, of the people of Argentina, obviously, not of its military oligarchs, but also of an entire continent.

[Question] Nor was this done with an eye to the potential Italian voters in Argentina.

[Answer] This is another big runaround because the PSI, as everybody knows, is against voting by mail and the votes of the Italians living in countries that as far away as this one, while we had a different position for Italians living in Europe.

5058

CSO: 3528/181

OCTOBER SEEN WITNESSING PCP POLITICAL OFFENSIVE

Lisbon DIARIO DE NOTICIAS in Portuguese 2 Sep 83 pp 15, 16

[Article by Jose Castelo: "PCP: The 'War' With Moderation"]

[Text] The hardness of the government's positions in the realm of economic policy is an obvious, evident fact, acknowledged by everyone, from CDS [Social Democratic Center Party] to PCP [Portuguese Communist Party]. Bent on coping with the crisis, the most serious indicator of which is unequivocally the external deficit, the chief executive has adopted a series of decisions which, in spite of everything, many were not anticipating.

It is normal for anyone who agrees that the current crisis cannot be surmounted without a major curtailment of spending by all Portuguese, and who does not think that there are any great alternatives to this policy, to voice support, albeit critical, for it.

However, anyone who does not uphold that proposition and who, on the contrary, claims that there is an alternate policy that could be pursued quite effectively, will surely attempt to react directly, particularly when he knows that any increase in the prices of essential goods is necessarily unpopular.

Now it is precisely this situation that has prompted many observers to wonder about the reason which led the Portuguese Communist Party to assume a stance which, at least at present, is marked by a certain amount of calmness and moderation.

Two reasons could explain this fact: either PCP is claiming that there is an alternative, but is not very certain of this, or it is waiting for the right time to act.

Unless there is a better opinion, the first hypothesis does not make much sense, for the simple reason that, even if PCP had doubts about its alternative, it would never make them known, even indirectly; for a different position would mean its total discreditation. One cannot go about overtly announcing one proposition, only to drop it at the earliest opportunity. Moreover, and this fact may perhaps be the most important one, PCP need only speak ill with some credibility: It is not in the government, and hence it does not have to offer proof that its concepts of economic policy are actually better than those of others.

So, the explanation is simple: Everything in life has its gestation period. At the present time, PCP is cleaning its "weapons" for the battle; and the reasons are obvious.

In Portugal and in several other countries, the month of August is a period during which life proceeds at a slow pace. Now, regardless of how much some may try to say that "the workers do not have vacations," or make other similar demagogic comments, the fact is that no one is immune to this situation.

There is clearly a second reason: the AVANTE! Festival. Set for an early date, this event is unquestionably something that requires a great deal of organization and work, involving vast, complex, human resources that are, understandably, more difficult to find during vacations than during normal work periods. Furthermore, it is not difficult to admit that only a party with a very strong structure could risk an undertaking of such dimensions during this interval.

While the aforementioned reasons explain the position of PCP, which is rather limited to a few festivals in terms of social mobilization, and to one commune or another in political terms, the essential basis for this conduct has one clearcut goal, because a more forceful response would not be impossible for it to achieve: namely, to gain time.

PCP undoubtedly intends, in October, to reinforce its activity, after a festival, that of AVANTE!, at which the guidelines for action will be conveyed to the militants. In the presence of the majority of those enrolled, who will naturally appear on the site, Alvaro Cunhal will deliver the most important speech during recent months, mobilizing them and specifying the goals for them. It may be said, without error or exaggeration, that everything will be made clear at this rally, and that every member will leave it ready to act. This is what happened in previous years.

Perhaps unlike the other parties, which seek far more flexible action, with a greater room for maneuvering among their rank and file, who are often in overt disagreement with the leadership, PCP structures and schedules its action between highly significant internal events: congresses and festivals for AVANTE!. Hence, this is the culmination of a phase when it takes place in July, or the beginning of a process when it is carried out in September.

Moreover, we should not believe the theory that the AVANTE! Festival is being held in September this year because, during July, PCP was engaged in major activities, specifically on the parliamentary level. The reason is different. It does not befit PCP to mobilize the members before vacations, subsequently interrupting an activity to some extent.

Just as in agriculture, in politics too one must select the right time to plant, thus creating the conditions that will enable the harvest to be the best possible. The tools are prepared for September, but the planting does not begin until the soil is ready; in other words, when the Portuguese, then hard at work, are feeling directly the hikes in prices of essential products, from transportation to food. If the citizens experience major difficulties, they are naturally more predisposed to act forcefully.

Hence, there is no doubt that the social conflicts will become worse in October, and that what has been underscored explains the behavior, not only of PCP, but also of CGTP/IN [General Federation of Portuguese Workers/National Intersindical], whose absolutely majority line is Communist, as we know.

However, if we consider everything that has been stated to be true, there is one point which appears to deserve special attention: the reaction of the common man, of the workers in general.

Strange as it may seem, PCP's great strength lies in CGTP. The latter has the ability to start strikes, to create conflict situations and, far more important than this, to mobilize thousands of persons who do not vote for PCP in the general elections, but who do not belong in PS [Socialist Party] either. They are the vast group of those who think that, on the trade union level, there must be well experienced structures, capable of making trouble for the government, forcing it to increase wages. Essentially, this is an understandable position but, excuse the expression, it is opportunistic: in the government, moderation; in the trade unions, hardness!

Nevertheless, this is increasingly less true, although it still is in many instances. After the April revolution and the times when everyone thought that they had to be more revolutionary than their neighbors, people naturally began to consider whether they were taking the best course of action. Many moderates of today were active revolutionaries in 1975.

To put it differently, the heroic phase of the revolution is reaching an end, and many are thinking in quite different terms. Having an increasingly worse life is not enough!

This situation, which is unquestionable, necessarily leads to two things which are different, but which have the very same cause:

Many workers prefer good negotiation of their work contract over an endless strike, which comes out of their pocketbook.

The general support for strikes, especially when they harm the ordinary citizen, is increasingly less. Walking to Moscavide or standing in line for 5 hours is not pleasant.

It is this stance assumed by the citizens which has prompted CGTP increasingly toward a position wherein its words are not in keeping with its procedure. It hails "war," but it seeks peace. It claims that UGT [General Union of Workers] is divisionist, but it continues talking with it in negotiations.

This behavior of a CGTP, which cannot back strike after strike without risking the loss of its backers who are not militants in the PCP orbit, is obviously not dissociated from the party itself, which does not want to see its great organized parallel force diminished.

Vacations are important; the AVANTE! festival explains many things; October will be a politically heated month; the dissatisfaction will necessarily increase. But the limitations are obvious for PCP, because total war could prove very costly to it.

We should not be surprised at all if PCP should decide to wage an overt "war" of words, both publicly and, primarily, in the Assembly of the Republic, to satisfy its backers and keep them under control, but without major strikes; one or the other, to justify its positions among sectors wherein the citizens as a whole do not feel very much affected.

Obviously, everything will depend on the government; inasmuch as its weakness is always proportionately similar to the strength of its opposition.

2909

CSO: 3542/216

LOCAL PRESS ATTACKS DOWNING OF KOREAN JET LINER

Swedish Passenger Onboard

Stockholm DAGENS NYHETER in Swedish 2 Sep 83 p 6

[Article by Mats Carlbom, Ingemar Lofgren (Excerpt)]

[Text] According to the United States' assistant secretary of state, Richard Burt, a spot with airplane fuel and debris has been found in the Sea of Japan where a South Korean jumbo-jet is believed to have crashed.

Despite the open charges from the governments of the United States and Japan the Soviet Union denies any knowledge of the plane's disappearance.

American rescue units are now, according to the news bureau AP, on the way to the plane. According to Richard Burt, there is nothing to indicate that there are any survivors.

Burt asserted on Thursday evening that the plane had apparently flown several hundred kilometers through Soviet air space but it was on the way out when shot down.

A Swede, 30-year-old Jan Hjalmarsson from Stockholm was among the 269 people onboard the jumbo-jet.

He has his own business and was on a business trip from Nigeria to South Korea via New York.

In addition there was one more person with a Swedish name, Mrs or Miss A. B. Ephraimsson, according to the passenger list. The Swedish embassy in Seoul had not on Thursday evening obtained any clarification as to who she is.

Liberal Paper Comments

Stockholm DAGENS NYHETER in Swedish 2 Sep 83 p 2

[Editorial by Olof Santesson]

[Text] The fact that a large unarmed passenger airplane can be shot down opens up a grim prospect. The Soviet Union is being openly blamed for such an evil deed after a South Korean airplane disappeared on the journey from Anchorage in Alaska home to Seoul in Korea. With references to what already has been determined, one must ask if there are not any limits to the inhumanity of a superpower.

The charges against the Soviet Union can also develop into an unpleasant political affair where in the worst case they will remain hanging without proof being presented that would convince everybody. Even a superpower has the right to be judged on the most certain grounds.

Unfortunately there is an earlier clear-cut case of the Soviets shooting down a South Korean passenger plane. That time there were surviving witnesses, particularly everyone onboard. From what has been determined the plane made an enormous navigational mistake which totally without motivation, lead it straight into Soviet airspace. There it was shot down by a Soviet plane. The incident, together with the Thursday disappearance, raises a reasonable question regarding South Korean equipment and pilot standards. On the basis of everything it would appear that once again a serious error of navigation into what the Soviets regard as their airspace was involved.

But even such a strange behaviour by a large passenger plane should naturally not in any way justify opening fire in peacetime. The possibility that it has happened a second time raises the question what liberties the Soviets are taking in taking action. How do they control their pilots, their chiefs?

The charges against the Soviet Union have received increased and great political weight by the American foreign minister's accusation of a deliberate shooting-down by the Soviets. Shultz gave a moderately detailed account which makes it quite difficult to believe that the United States has "fabricated" some of the facts. What purpose would that serve?

A startlingly strongly formulated American protest has been lodged. Already American voices have been heard to give the incident consequences, for example, concerning the disarmament negotiations so as to punish the Soviet in this manner.

It must be assumed that cooler judgments will prevail. A guilty Soviet Union will never escape being stigmatized by the international community. But that which appears to have happened is serious and awful enough without making it into a purposeful standard of value for not dealing at all with the Soviet Union.

Conservative Paper Comments

Stockholm SVENSKA DAGBLADET in Swedish 2 Sep 83 p 2

[Editorial]

[Text] The Soviet shooting-down of a South Korean passenger plane with 269 people on board is an outrageous event. If Moscow is unable to clarify in a satisfactory manner how this tragedy occurred, the international consequences can be serious.

The plane, a Boeing 747, was on the way from the United States to South Korea and apparently had strayed far from its course in over Soviet territory. The Pacific coast is a very sensitive area to the Soviets, and that they are on guard against violations of their airspace is natural but does not in any way justify the shooting down.

For over two hours the Soviet air defense followed the South Korean plane on radar. On several occasions Soviet fighter planes circled around the 747, and the pilot which finally shot down the South Korean plane had visual contact with his target. Moreover, he was in continual radio contact with his base while he carried out the operation.

This is apparent from the very grave account which the foreign minister of the United States, George Shultz, gave Thursday evening and is based on American radio monitoring. Reports from the Japanese intelligence service appear to be in accordance with the American in all important aspects.

The Soviet news bureau Tass admitted on Thursday that an "unidentified plane" had penetrated Soviet territory whereupon, Soviet military planes had gone up, in order, as it was stated, to help the plane to the nearest airfield. It is impossible, against the background of the American and Japanese statements, to have any confidence in the Soviet version.

President Ronald Reagan stated on Thursday evening in an indignant commentary that the shooting down could not be justified under any circumstances and that the Soviet owes the world an explanation.

The shooting down of the plane occurred at a time when the relations between the two superpowers were entering a sensitive stage. A new round of negotiations will shortly begin in Geneva regarding European nuclear weapons. Next week a meeting between the American and Soviet foreign ministers is planned in Madrid. Several moves on both sides have recently raised, if still guarded, hopes for a certain improvement in the climate between the world's two great superpowers, but the shooting-down of the plane along the Pacific Ocean coast threatens to put the relations into the deep freeze again.

Palme Condemns Shooting

Stockholm DAGENS NYHETER in Swedish 3 Sep 83 p 1

Text Several speakers at the current conference of The Stockholm International Research Institute for Peace (SIPRI) strongly condemned the alleged shooting down by the Soviets of the South Korean passenger plane.

"If the reporters are correct that a civil airplane has been shot down, it must be seriously condemned," said Prime Minister Olof Palme. "That which has happened will mean a sharpening of the already tense international situation."

The conference with some 80 participants from the whole world will end on Sunday. At the center of the debate stands the concept "common security" which was launched by the so-called Palme commission.

The participants in the conference are united in their desire for peace and security.

6893

CSO: 3650/282

USSR URGED TO SHOW MORE CONTRITENESS AFTER PLANE DOWNING

Stockholm DAGENS NYHETER in Swedish 7 Sep 83 p 2

[Editorial by Olof Santesson]

[Text] What happened in the Sea of Japan must not be repeated. To make civilian air traffic safe is an important task for the world community. We have all had a frightening reminder of this. Therefore, it is good that Sweden emphasizes in the UN's Security Council the necessity for getting the East bloc states to adopt the international rules and legal system in regard to civilian aviation.

The majority of us feels bitterness and indignation over a deeply immoral act against unarmed defenseless fellow human beings. At the risk of appearing cold-blooded, one must still emphasize that the problem must be approached constructively. It would be twice as tragic if the question of the shooting down of the South Korean passenger plane became a weapon in power politics above all else. It can appear so these days when one hears the statements from the White House and the Kremlin. A return to violent casting of suspicions can seriously hamper the handling of the fateful questions of our time; particularly distressing now when a significant round of negotiations concerning nuclear weapons in Europe has started in Geneva.

A number of hints from the Soviet side have recently underlined the fact that the parties are now deadlocked, above all regarding France's and Great Britain's nuclear weapons. A reasonable solution would be to allocate some of these weapons to the Europe Weapons and the remainder to the strategic arsenal.

But finding a solution requires a political desire together with a degree of confidence in the other party. The shooting-down of the South Korean plane actually confirms widespread conceptions in the Western world that those who have power in the Soviet Union cannot be relied upon; that their extreme security consciousness, suspicion and secretiveness leads to standards completely different from ours.

For the short term it would have been easy for Ronald Reagan to succumb to his own worst views of the Soviet Union and in a moment of passion try to get support for a broad program of punishment. The president of the United States

must also have been tempted to show clearly the Soviet as a guilty party before the eyes of the peace movement. His proclaimed measures are, however, practically without any effect. If an eventual air boycott is worked out as a political sanction, Sweden, for example, can not participate as a nation. That would require sanctions which the United Nation's Security Council has enjoined.

The fact that Reagan is cautious in the matter can partly be based on the judgment that Western opinion does not want a disrupting, aggravated confrontation between the super powers. The measures after the Soviet invasion of Afghanistan and the military's takeover in Poland were actually not direct hits. The United States has just reestablished economic contacts with the Soviets.

Most important is perhaps the fact that the United States wants to avoid detailed charges and counter-charges regarding an incident involving the Soviets' most sensitive military area being subjected to intensive American reconnaissance.

With a certain delay it has become known that an American reconnaissance plane crossed the South Korean plane's course on that fateful night. The mystery grows. Some people speculate that the South Korean pilot was tempted to take a dangerous shortcut. This seems strange but hardly more strange than that the incorrect course was not noted despite a long series of possibilities for checking it. And why did no one on the ground sound an alarm when the plane did not appear on the radar where it itself said it was?

The shooting-down took place, according to Japanese and American reports, two and a half hours after the Soviet radar detected the plane. How did the Soviet military utilize the time--did they get Andropov's approval or was he not informed? Did some people want to sabotage the effort of the Chief of State for agreements with the West?

The United States has made certain demands, among others a Soviet apology and compensation to the dependents. How Andropov decides to deal with these demands will to a degree point a finger towards the course of events and to his own power position.

The most important American demand in principle involves guarantees against a repetition. Here the Swedish contribution in the United Nations' Security Council point to the urgency of at last getting the Soviet Union and the other Eastern countries to adopt instructions which protect civilian passenger airplanes, however strange they may happen to behave. After the shooting-down of an Israeli airplane in 1955 Bulgaria ultimately paid damages and acknowledged it had acted hastily.

In addition, the Soviet Union should consider it important not to be regarded as an air criminal.

6893

CSO: 3650/283

PAPER DEFENDS GOVERNMENT'S STAND ON SANCTIONS AGAINST USSR

Stockholm DAGENS NYHETER in Swedish 9 Sep 83 p 2

[Editorial by Per Jonsson: "Sweden Refuses"]

[Text] Sweden refuses to boycott the Soviet airline Aeroflot. As expected the government has rejected a request by the United States for Swedish participation in such an international political sanction--as "punishment" for the Soviets' shooting-down of the Korean passenger plane.

That is quite in order. Sweden as a nation does not in principle support sanctions other than those stipulated by the Security Council of the United Nations.

On the other hand, the Soviet foul deed will apparently--after a little thought by Lennar Bodstrom--be castigated in the Swedish speech today at the ESK [European Security Conference] foreign ministers' meeting in Madrid. That the clash between the spokesmen for the super powers, Shultz and Gromyko, has stolen--too much--attention there does not in any way change anything. ESK is an excellent forum for expressing abhorrence against the flagrant violations of human rights--even if they do not involve your own nation.

6893

CSO: 3650/283

AZOREAN COMMISSION ON CEDING CONTINENTAL BASES TO U.S.

Lisbon DIARIO DE NOTICIAS in Portuguese 14 Aug 83 p 8

[Text] A report of the International Commission of the Azorean Regional Assembly quoted in ACORIANO ORIENTAL, states that "the concession of facilities to the United States on Portuguese territory will be a historical option that will perforce reflect on Portuguese foreign policy."

According to the report, this option, to be exercised in the future by sovereign authorities, may create "situations of obligation that will inevitably affect Portuguese foreign policy." Access to facilities on the continent on the part of the United States will add a new element "that will reflect on Portuguese relations with Western Europe, where the presence of American bases serves as a pretext for a certain amount of social and political unrest."

It also constitutes a new element with respect to the countries of the Warsaw Pact, who will most assuredly view the fact "with extreme annoyance," and with respect to Africa, particularly the Portuguese-speaking countries that describe themselves as nonaligned. Such a concession of facilities on Portuguese territory is a new factor for America itself, because of the "increased dependence with respect to the United States and decline with respect to Latin American countries."

The Lajes Base

With respect to the agreement on the Lajes base, the report states that the proposal on the new labor agreement has already reached a consensus from the Portuguese and American technical representatives. The commission indicates that the budget of 80 million dollars allocated 18 June 1979 to finance regional development in exchange for the agreement ran out end of 1982. It adds that the exchange of notes on that date does not provide for any additional budgetary allocation to cover that period along with the extension of the agreement for one year.

"Thus," it underscores, "it becomes essential that negotiations be concluded in good time, so that the new compensation become effective during the current calendar year."

The Portuguese and American delegations will meet in Lisbon in September in order to conclude the agreement on the technical level. However, according to sources contacted by NP, the amount of compensation for the agreement with the United States in cash terms will be decided on a political level, and the definitive agreement should be reached immediately after the visit of President Eanes to the United States.

Agreement on Flores

With respect to the agreement between Portugal and France regarding Flores, the Regional Assembly commission states that it had learned that the Government of Portugal had advised the French Government of its intention to renegotiate the conditions for the continued French presence for the next 6 years at the telemetric station. It recommends, on the other hand, that a solution for port facilities on Flores Island be urgently found, as well as a cooperation plan regarding fisheries and oceanography.

With regard to French assistance in the oceanographic area under another agreement also with France, the commission calls attention to the fact that the exchange programs between the two countries are due to expire at the end of next month.

In the meantime--according to ACORIANO ORIENTAL--the tracking and telemetric base that the French Armed Forces use on the Island of Flores has an enhanced value in light of the expansion of the French ballistics program.

The regional government also intends to see that financial compensation is increased upon renewal of the contract.

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CSO: 3542/206

DOMESTIC HAZARDOUS-WASTE TREATMENT FIRM TO PROCESS PCB'S

Helsinki HELSINGIN SANOMAT in Finnish 2 Sep 83 p 3

[Text] Riihimäki (HS)—PCB condensers may be destroyed at Riihimäki in as soon as a year from now. At the present time they are shipped to England to be destroyed. Finland's Hazardous Waste Plant had not intended to accept them at all, but now they are hurriedly planning a pretreatment unit for the plant that will cost 2 million markkas in which condensers can be broken up and readied for burning.

There are about 120,000 condensers in Finland containing PCB. They intend to destroy them within 10 years since PCB can produce a dangerous supertoxin in connection with fires, for example.

Destroying the condensers at Riihimäki will not be any cheaper than shipping them to England since the safety requirements for the plant that is to begin operating in a year's time will raise the cost of treating the waste.

At the Hazardous Waste Plant they are concerned over the fact that Partek [expansion unknown] Oy has received a license to burn paint waste. You see, the firm's income would probably be reduced and waste treatment costs would further rise if other industrial plants start to burn waste that gives off a lot of energy, waste on which the Hazardous Waste Plant would make money.

"If unjustifiably harsh conditions are imposed on the Hazardous Waste Plant, 100 million markkas will have been needlessly invested in safety," the firm's acting general manager, Matti Vattulainen, said.

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CSO: 3617/174

NEW REGULATION GOES INTO EFFECT TO LIMIT LEAD IN GASOLINE

Oslo AFTENPOSTEN in Norwegian 23 Aug 83 p 6

[Article by Are Wormnes: "Less Lead in Premium Gasoline, Price Unchanged for the Time Being"]

[Text] Starting 1 September it will be forbidden to import or manufacture gasoline with a higher lead content than 0.15 grams per liter in this country. All companies which sell gasoline in Norway are prepared to deliver premium gasoline in accordance with the new requirements--a gasoline which is more expensive to produce than that which is used today. There is, however, little indication that gasoline prices will rise beginning 1 September.

The new regulations will affect premium gasoline. Low octane gasoline is already within the low lead limits. The problem for the oil companies has been to maintain the octane figure of premium gasoline when the lead content is reduced from 0.4 to 0.15 grams per liter.

"The companies have chosen different procedures to satisfy the regulations. Some by investment in new installations, others by utilizing the capacity which they already have. The result has been that the makeup of gasoline can vary somewhat from company to company without having any practical consequences for automobile owners," said Eiler Holtermann, secretary general of the Norwegian Petroleum Institute.

"Can we expect a resulting storm of complaints about the gasoline quality such as the Swedish oil companies have been through?"

"I do not believe so. So far we have fortunately been spared from that sort of thing in Norway, and it is a precondition that the new gasoline must have the same quality as today's. We must, however, expect a little experimenting during the transition period which will not be noticed by the automobile owners," said Holtermann.

The new regulations for premium gasoline mean that Norway is placing the same requirements on lead content that otherwise only Sweden, West Germany

and Switzerland impose in Europe. But although the regulations for lead content are the same, that does not mean that the gasoline is the same.

"For example Sweden has used other additives to replace lead. The different refineries use different methods, but in this country it will not be done in the same way as in Sweden," said Holtermann.

It is clear that the new premium gasoline is more expensive to manufacture than the old. None of the oil companies will yet say what that will mean in kroner and ore for the automobile owners.

Norske Fina A/S categorically denies that there will be a price increase beginning 1 September. The other companies will not say anything now, but they have the price issue under consideration.

The previously higher lead content in premium gasoline has been the basis for the authorities' decision to require a higher tax for this gasoline than for regular gasoline. There is, however, no indication that the tax will be less as a result of the reduction of lead content.

The oil companies' higher costs will therefore probably gradually be passed on to the automobile owners. About 70 percent of the gasoline sold here in this country consists of premium gasoline.

The next step by the authorities to reduce the contribution by automobiles to air pollution will be a demand for lead-free gasoline--and probably also a requirement for catalytic converters for cleaning of exhaust gases. A catalytic converter requires lead-free gasoline or it will be destroyed.

As of today lead-free gasoline is not available anywhere in Europe, but during the years until 1990 it will be introduced in several countries--including West Germany and England, and probably in Norway, Sweden and Switzerland. But there are divided opinions about how much cleaner the air will be because of it.

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